







The A. A. Low with the highest
respect of Hugh McCulloch
May 1st 1891

ADDRESSES,
SPEECHES, LECTURES,
AND
LETTERS
UPON VARIOUS SUBJECTS.

BY HUGH McCULLOCH.

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ADDRESS

DELIVERED AT

FORT WAYNE, IND., JULY 4TH, 1861.

PREFACE.

The Addresses, Speeches, Lectures, etc., etc., which appear in this volume have been selected from many others, and are intended to be preserved in this form, for the use of those who, years hence, may be interested in what is substantially a record of my feelings and views upon important subjects in very interesting periods of our national history.

The addresses delivered at Fort Wayne, Indiana, in 1861 and 1865 can hardly fail, at any time, to be interesting, as they present the prevailing sentiment of the people of the Northern States at the commencement and the close of the civil war. The letters, which were written in London for the *New York Tribune*, were copied by a great many newspapers, and very widely circulated and favorably commented upon in all parts of the country. They were written and the Cambridge lectures were delivered when financial and economic questions were engaging public attention—questions that have lost none of their interest—the definite solution of which seems to be far in the future.

THE CURRENCY.

Upon the currency question I have spoken at considerable length, because it was, and still is, a question of supreme importance. A sound circulating medium is the life-blood of commercial nations. In speaking of the currency, I could not fail to express my views upon the legal-tender notes. These notes, when they were

issued, were considered, properly perhaps, a necessity, and the issue of them was advocated solely on that ground. They have been a popular currency, and, if kept within the present limit, they might be beneficial. They are, however, liable to the serious objection of giving to the people false opinions of the character of money, and the more serious objection of being unwarranted by the letter, if not by the spirit, of the Constitution. The decisions of the Supreme Court upon the legal-tender acts clothes Congress and the Executive with Imperial power—the power to issue notes and to make them lawful money and a legal tender, no matter what may be their comparative value with gold. According to these decisions, the law-making authority may rightfully do anything which is not actually prohibited by the Constitution, instead of being limited to the exercise of such powers as are expressly granted or fairly inferable. Before those decisions were pronounced, the popular understanding was that the Constitution gave to Congress and the President all the power that was needed for the accomplishment of the objects for which the Government was created and could be safely exercised. To what dangers the country is exposed from this departure from what had been established “land marks” can be readily comprehended.

An unanswerable objection to the issue of legal-tender notes is, that it makes the Treasury Department a bank of issue, in which every voter is a stockholder and of which the most active politicians are the directors. That its management will continue to be conservative and wise is to be hoped for, rather than expected. One thing is certain—that so long as the decisions referred to are in force there will never be a scarcity of lawful money in the United States. The indications now are that by the payment of the bonds by which they are

secured the national bank notes will soon be withdrawn from circulation and that the paper circulating medium of the country will consist of legal-tender notes, based upon the credit of the Government, and silver certificates, upon neither, or both, of which a great country should be dependent. Of the two, the latter are the least objectionable. They are bad, because silver does not sustain permanent relative value with gold, which is the only true standard of value in trading and commercial nations, and it will continue to be of fluctuating value, unless the leading nations should agree to make the two metals a joint standard, of which there is little probability. For these reasons silver certificates are unfitted to be the circulating medium of the United States, but they are less objectionable than the legal-tender notes; there is nothing deceptive about them; they can never be worth less than silver; they teach no false doctrines; they express upon their face just what they are—certificates that the amount which they represent has been deposited for their security and redemption in the Treasury of the United States. Very different is the character of the legal-tender notes, which are mischievous in their teachings and dangerous to business enterprise, because the amount that may be put into circulation depends upon the popular feeling that may be brought to bear upon the law-making power, and because they claim to be money, which they are not. They are made money by statute and the decisions of the Supreme Court, but they lack the elements of real money; they can be repudiated and rendered valueless by the same power that created them. There is no money but gold and silver which have intrinsic value and have cost in labor what they represent. Government notes are demoralizing and deceptive, because they foster the popular opinion that money can be created by statutes, and that what is

needed to make it plentiful is the free working of the printing presses.

THE TARIFF.

My opinions in regard to the tariff have undergone no change since my attention was called to the subject more than half a century ago. Nothing is clearer to my mind than that a tariff for revenue is all that is warranted by the Constitution, and, that while in the infancy of our manufactures it was proper that revenue duties should be so imposed as to make them incidentally protective, the time has long since come that import duties should be reduced to the lowest point consistent with necessary revenue. The United States is now the greatest producing country in the world, and consequently it has the deepest interest in international trade. All restrictions upon free exchanges with other nations are hostile to its general welfare. The tariff is the old apple of discord between different sections, and apparently conflicting interests, and it will be as long as its character depends upon Committees of Congress, which have neither the time nor the intelligence and freedom from partisan politics to make it what it ought to be—a great national economical question. This work can only be done by a thoroughly equipped commission—a commission consisting of some of the most distinguished practical economists, who have no party or sectional interests to serve, whose duty it should be to secure to the Government needful revenue, by duties upon imports, which should not favor one branch of industry at the expense of other branches, and should be as equal in its burdens as taxation can be made. I do not hesitate to say, that our protective tariff is not only unnecessarily burdensome upon consumers in the United States, but that it is in the interest of Great Britain, by giving to her a monopoly of the South American trade, by which she is immensely enriched.

THE FRANCHISE.

I have said something upon the franchise, but not as much as its importance demands. It is the basis of our republican institutions. If it becomes unsound, the whole superstructure is in danger. That there is danger in this direction is manifest to all observing and intelligent men. We have invited the people of all conditions in foreign lands not only to become citizens of the great republic, but law-makers also. We have extended the franchise to millions, the larger part of whom have no capacity for its intelligent exercise ; who have no knowledge of our form of government, and no stake in its preservation ; who cannot speak our language ; who cast their ballots without knowing for whom or for what they are voting. Among them are anarchists, who are hostile to all governments ; whose doctrines are at war with law and order, without which there is no security for property or life. But this is not all—the franchise has been bestowed upon the recent slaves, very few of whom have any qualifications, except what the statute gives for the exercise of the highest privilege of freemen. If the object of the framers of the Constitutions, Federal and State, had been to put to the severest test the strength of republican institutions, they could not have done it more effectually than it has been done by cheapening the franchise. The result of this experiment, for such it is, which is at work in all the States, except Rhode Island, cannot be contemplated by even the most hopeful, without anxious forebodings.

THE NATIONAL PROGRESS.

The present century has witnessed wonderful changes in all civilized countries. These changes have been the most marked in the United States, as might have been expected, from its youth, its necessities, the extent and

variety of its agricultural and mineral resources, and the energy and intelligence of its people. I call to mind very few things that are now so essential for international intercourse, material progress, and domestic convenience, that have not been invented and come into use within this period. Steam boilers had been known for centuries, but the first iron railroad sanctioned by the British Parliament was in 1801. The first vessel propelled by steam was in 1814. It is within this period that machinery has been made to do the work of hands in manufacturing, and that the farming implements now in use have been invented. When I went to Indiana in 1833 the sickle was the only instrument in use in cutting grain, the scythe in cutting grass; and yet, notwithstanding the labor-saving inventions—the substitution of machinery for hands—the wages of laborers have been steadily advancing. The economic advances have been continuous, rapid, and beneficial, and the question naturally arises, Has there been corresponding improvement in the condition and character of the people, in the public morals in the tone of what is called society? These questions must be answered in the negative. And how is it with the great political experiment which is being tried in the United States? The world's history has led to the conclusion that men are incapable of self-government on a large scale. All the ancient republics and all the modern, except Switzerland, have been substantially failures. Is there good ground for the expectation that in our case history will not repeat itself? Are our political leaders more devoted to the public service, less selfish in their aims, than were their predecessors? Is politics more honorable than it used to be? Are our elections more honorably conducted than they were in the early days of the Republic? Everybody knows how these questions must be answered. In the contests between the Feder-

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alists and Democrats there was as much excitement and more bitterness than are now witnessed in Congressional and Presidential elections, but the contests then were for principles, not for spoils. Men were Federalists because they believed that strong central power was necessary for the preservation of law and order, or Democrats because they were opposed to centralization that had in it the savor of monarchy. Then the use of money (the most debasing of all influences) in elections was unknown. Now the free use of it seems to have become a necessity, and it is largely relied upon as a controlling agency in close political contests. Then the native-born Americans controlled the State and city elections. Now the foreign-born, mainly of the lower classes, many of whom are revolutionists, hold the balance of power in all our large cities and in some States. So great, in the wrong direction, have been the changes, that I should despair of the Republic if I had not been an observer of the overthrow of Tweed and his associates in New York, and of the self-preserving power of the Government in the late civil war. I am hopeful that the Republic will not be a failure, notwithstanding the powerful influences which are at work against it, because good seed was sown here, and I believe that it took too deep root to be eradicated. I believe that there exists, and will continue to exist, a self-preserving power among the intelligent and liberty-loving people that will manifest itself when danger becomes imminent.

One thing is as certain as anything in the future can be: if republicanism should be a failure in the United States, the question of the power of the people to establish and sustain a Government, "by themselves and for themselves," will be settled adversely and forever.

HUGH McCULLOCH.

SEPTEMBER, 1890.

ADDRESS

DELIVERED AT

FORT WAYNE, IND., JULY 4TH, 1861.

FELLOW-CITIZENS: We meet to celebrate the anniversary of our national independence under peculiar circumstances. The present condition of our country is a matter of deep and solemn interest to every citizen of the United States. Our Government is now undergoing a trial to which we had fondly hoped it would never be exposed. That which gives security to life, value and protection to property, is in danger. Questions of momentous interest to all of us are now in process of settlement, not through the instrumentalities provided by the Constitution, but by the terrible arbitrament of the sword. We are in the midst of an attempted revolution, the result of which may not only seriously affect the vital interests of the people of the United States, but the welfare of the race.

While, therefore, we cherish a stronger love for the Union than ever, we meet not to-day to glorify it, for it is attacked by formidable forces: not to eulogize our free institutions, for their strength and stability are now being subjected to a severe if not a decisive test. We meet not in that spirit of pride and complacency which has usually characterized our Fourth of July celebrations—to boast of our capacity for self-government, and of the glory of the great Republic—for madness has seized upon a large portion of our people, which, if not arrested, will demonstrate the idleness of our pretensions, and lay the noblest fabric of human wisdom and patriotism in ruins.

On our last national anniversary a goodly number of

the old settlers of this vicinity met at Fort Wayne to contrast the past with the present ; to congratulate each other that " our lines had fallen in such pleasant places ; " that we were in the possession of so rich a political inheritance, upon the glory of our common country. The occasion was one of more than local interest. In reviewing the history and rapid development of northern Indiana, our thoughts naturally recurred to our national growth and prosperity. Our minds ran back over the intervening two hundred and fifty years, since the first permanent settlements were made upon the North American continent, to the establishment of governments in the forests of New England and Virginia, the slow but steady growth of the colonies, the glories of the Revolution and the birth of our present noble Constitution. Our hearts kindled within us as we dwelt upon the gallantry and indomitable energy of our forefathers in the dark days when our independence was achieved, and our admiration was excited as we reflected upon the wisdom that laid the foundations—too deep, as we supposed, to be ever seriously disturbed—of our State and national governments, and we exulted as we traced the onward career of our country in prosperity, population and renown.

The United States had become almost in infancy the commanding figure in the great picture of nations. Without a competitor in the New World, free from the influences, and fearless of the power of European States, the object of admiration at home, and the hope of freemen everywhere, it held the proudest position ever occupied by any nation in the world's great history. Recovering from the commercial and financial disasters of 1857, we seemed to be starting on a career of unequalled enterprise and prosperity. Every department of industry was stimulated into activity. Our growing crops had been of wonderful promise, and the harvest was more magnificent even than the promise. Our commerce was whitening every ocean and sea under heaven. The balance of trade, which for so many years had been in favor of Europe, was turning in our favor and making us the creditor country of the world. Emigrants from the Old World continued to crowd upon our shores, to

join the advancing column of native-born citizens in pushing our frontier settlements to the Pacific Ocean, and the time seemed not far distant when by means of a railroad to that ocean we should stretch out our hands unto Asia, and while we secured the advantages of a direct trade with that populous quarter of the globe, we should revive its decaying energies by an infusion into its system of Americanized Anglo-Saxon forces.

Since the race was planted in Eden, no nation had ever been so favored and prosperous as ours. Our Government was only felt by its benefits, and not, as is the case with most others, by its oppressions and its exactions. Just and equal in its laws, all sections were equally prospering under its gentle rule. The North and the South, with different domestic institutions and a consequent dissimilar civilization, seemed only generous rivals in a common prosperity, and bound as loyal States in a common destiny by the strongest commercial, social, and political ties. We were approaching the period when new agents were to be selected by the people to administer the Government at Washington, and the canvass then in progress had developed less than usual of party bitterness and strife. Four candidates were in the field for the distinguished position of President of the Republic, but the friends of each seemed emulous of the honor of entertaining the strongest love, and indicating the heartiest attachment to the Union and the Constitution.

It was true that the discussions of the slavery question—that old apple of discord—had excited some bad blood between the sections, and that threats were made by politicians in the South, that the success of the party now in power would be considered in that quarter a sufficient cause for the dissolution of the Union, but no serious apprehensions were extensively entertained that any State would seriously attempt to put such threats into execution. As the people of the North, with trifling exceptions, cherished no other than the most friendly sentiments for their Southern brethren; waged no war upon their rights under the Constitution, which of itself afforded the most perfect security for those rights, and regarded the Union as being of priceless

value to all sections, they did not and could not believe that any considerable number of citizens of the United States would be desperate enough to undertake to rupture the ties that made us a nation.

One year ago the Union seemed as safe and as permanent as at any time since the Constitution was adopted. At no former period had its glory been brighter or its prospects as a nation more flattering. By all civilized nations the United States were regarded and recognized as a great and growing power. Our stars and stripes, idolized at home, were honored and respected by those who dreaded the principles they represented, while the oppressed of all lands looked to them as the symbol of liberty and the sign of promise. To claim the protection of that flag was the right of every citizen, native or adopted, wherever he might be, and like the appeal of olden time, "I am a Roman citizen," it was a sufficient guarantee of safety.

But now how different the scene. The same bright sun is over our heads, the same glad earth beneath our feet ; our Constitution is unchanged ; the elements of national and individual prosperity are as abundant as ever ; no alteration affecting injuriously the rights of individuals or of States has been made upon the statute book of the nation ; no foreign enemy threatens our domain ; no providential calamity has befallen us ; and yet we find business at a stand, the prices of our products declining, manufacturing suspended, our shipping at the warves, bankruptcy among our merchants, the prosperity of many of our cities literally dried up, the songs of peace and the hum of industry exchanged for the music of the fife and drum, the country converted into a camp and bristling with arms. Brothers of the same blood, descendants of those who established the unity of the Government, are now arrayed against each other to decide, perhaps, the destiny of the nation at the cannon's mouth. The State that gave birth to Washington has become a battlefield, and the repose of his grave is disturbed by the marching of troops and the battle-cry of opposing hosts.

Alas for the stability of human institutions, when the beneficent Government of the United States is in danger

from its own people. Alas for the wisdom and patriotism of man, when intelligent American citizens can plot and fight to overthrow the fairest, noblest, and most benignant political institutions that were ever vouchsafed to the race.

But, fellow-citizens, the evil is upon us, and we must meet it like men. The Government is attacked by those who have, until recently, controlled its policy, but it must not be overthrown. The property of the nation has been plundered and its glorious flag trailed in the dust by those who have resolved to ruin when they can no longer rule ; but as certainly as the bolt shatters what it strikes, so certainly will the vengeance of awakened and indignant patriotism North and South strike to the earth the authors of this unnatural and accursed rebellion.

"The Union, it must and shall be preserved," caught from the lips of Andrew Jackson, is now the rallying cry of millions of freemen ; "Liberty and Union now and forever, one and inseparable," the language of the great expounder of the Constitution ; "If any man attempts to tear down that flag, shoot him on the spot," the prompt command of the brave and able Dix ; "Why do we stand still? Let the column move on," the dying words of the noble Douglas, now indicate the sentiment and spirit of a united North.

Thank God that we are at last a united North ; that when the Government is in danger, party spirit is hushed and party distinction forgotten ; that when the banner of the nation is attempted to be dishonored, the Democracy do not stand back because one of their own party is not its chief standard-bearer, but gallantly step forward to uphold it.

All honor to those who, in conquering their prejudices, have put to a practical test their loyalty and patriotism. Everlasting honor to him, the noble Illinoisian, who, while smarting under a defeat, hesitated not for a moment in his support of the administration of the man whose election he had opposed, but who, before the canonading of Sumter had died upon the breeze, pledged himself, soul and body, to the defense of the nation and its flag. Cut down in the meridian of life, with the most

brilliant prospects before him, mourned by a nation, he sleeps the sleep of death, but his words still ring in our ears, "Why do we hesitate? *Let the column move on.*"

Yes, gallant and indomitable spirit, the column will move on. From hill and valley and plain, from city and town and hamlet, the friends of the Union and of the Constitution are hastening to the rescue.

"Trumpets are sounding, war steeds are bounding,
Treason for many a day shall talk of the bloody fray,
When the hosts of the North passed over the border."

Never has the world beheld such a general, generous uprising of a people in the defense of their Government as we witness to-day. From the Lakes to the Ohio, from the Western deserts to the Atlantic, men are rushing to arms, not to subjugate, but to save; not to overthrow the Constitution, but to restore its wonted and healthy action. No conscription is needed, no impressments are required. Thousands of willing hearts are waiting only for the welcome words that their services will be accepted. Our gallant Hoosier State furnishes twenty regiments and would furnish forty more if they were needed by the Government.

The loyalty of Indiana in the present emergency is of the most significant character. Indiana is a conservative State. The anti-slavery sentiment has never taken deep root in her soil. From the National Road to the Ohio her trade has been chiefly with the South, and a large portion of the population of this section is made up of immigrants from the Southern States. Their social sympathies and their pecuniary interests bind them to that quarter. There lie the bones of their fathers, and there still live many of their relatives and friends; and yet in southern Indiana, where, if anywhere, we should expect lukewarmness toward the Government, if not an active co-operation with the Confederate States, we find the strongest Union sentiments prevailing. The Union, it must not be dismembered; the Constitution, it must not be destroyed; the Mississippi, its mouth must never be owned by a foreign power, is the language of the people of southern Indiana, and they will not change it, whatever it may cost to make good their resolution.

The subject of government, fellow-citizens, is one of the most important subjects that have ever engaged the attention of men. It is the first question that presents itself for consideration in the organization of society ; it is, in fact, the basis of society. Without a government there would be no protection for life, no ownership of property, no laws to preserve rights nor punish wrongs; and it is an interesting fact that the nature and character of their government indicate the condition and disposition of a people. If a government be despotic, arbitrary, and oppressive, the people will generally be found to be slavish, inefficient, and degraded. If it be free and liberal and just, the people will be intelligent, enterprising, and spirited. This results from the fact that a people will have, with rare exceptions, such kind of government as they are fitted and qualified to sustain. A republican form of government was adopted by the people of the United States, because it was the best form of government and because the circumstances in which they were placed fitted them for that experiment. The Puritans of New England and the Cavaliers of Virginia did not immigrate to America to establish republican institutions. They were loyalists and monarchists, and so were their descendants up to the time of the Revolution. The American colonies were loyal to England until after the first battles of the Revolution were fought. They did not secede from England, after the fashion of the Confederate States. They did not, while under allegiance to Great Britain, plot treason against her Government and plunder her property. When their just rights had for a long time been denied them, when their petitions for redress had been repeatedly rejected, and their messengers had been "spurned with contempt from the foot of the throne," and the blood of their people had been shed at Lexington and Bunker Hill, then, and not till then, did they, through their chosen representatives, proclaim their independence by the immortal document we have just now heard read, and proceed to establish a government for themselves.

In throwing off their allegiance to the Mother Country and committing themselves to a war with the most powerful nation upon earth, they put their lives and

fortunes, if not their sacred honor, in imminent peril ; but they had counted the cost, they defied the danger, and with a bravery and constancy that have never been surpassed they fought, under the most discouraging circumstances, the battles of the Revolution until their success was made certain by the decisive triumph at Yorktown.

Their independence was achieved and in due time acknowledged by Great Britain, but their resources were exhausted by the severe and protracted conflict. They were without a navy, or commerce, or manufactures ; with a heavy debt, an empty treasury, and a circulation of Continental notes in the hands of the people and the soldiers that were not worth the paper on which they are printed ; and worse than all, the government they had formed was without unity and strength. No sooner was the war ended than jealousies were engendered among the colonies. Each of the colonies was a petty sovereign, without any controlling bond of union between them. I apprehend that few people were ever in a less prosperous and hopeful condition than were the American colonies at the close of the Revolutionary war. Washington and his associates soon discovered that the league which they had formed was not the government they needed. A central power was necessary, to limit and control the action of the colonies, to coin money, collect duties, regulate commerce, establish courts, and provide armies and a navy for the common defense. They wanted, in a word, a general government, whose power in its appropriate sphere should be superior to that of the colonies, and absolute in its character. Out of this want grew our present Constitution, the most perfect charter ever formed by human wisdom and patriotism. Upon its adoption we became a nation, and took our place among the nations of the earth. So wise were its provisions, so clearly did it define the duties and powers of the Government, so absolute were those powers while they infringed not upon the reserved and necessary rights of the States, and so admirably was it adapted to the wants and genius of the people, that the effect of its adoption was almost miraculous. Commerce at once revived, credit was restored, enterprise was

quicken. Then we became the United States of America, and from that time onward our march to greatness was with the majestic tread of a giant. From three millions of people, in three-quarters of a century we have increased to thirty millions. From thirteen feeble colonies scattered along the seaboard, we have become a great nation, disdaining all boundaries but the oceans, covering the seas with our ships, supplying distant lands with our agricultural productions and our manufactures, and instructing them in the lessons of liberty by our successful experiment of self-government.

Just at this period of our history, when the past was a success and the future full of promise, while all sections of our common country were in the highest degree prosperous, and all their rights were secured by the Constitution, politicians at the South, availing themselves of the success of a party which they considered hostile to slavery or opposed to its extension, and confidently expecting aid and comfort from the North, undertook to carry out their designs, for a long time entertained, of breaking up the Government by a secession of the Southern States. At the very time when another people (the Italians) were struggling through "blood and slaughter" to bring into a united Government States that had been long separated, to quiet the rivalries and jealousies and wars that their separation had produced, politicians and traitors deliberately undertook, for reasons that will not bear a moment's scrutiny, to break up this Union and introduce into the United States the revolutions, the insecurity, the anarchy and bloodshed that have marked the history of the Italian States and the Mexican and South American Republics.

Of all the doctrines that ever emanated from the prince of evil the doctrine of peaceable secession from the Union of any of the States that compose it is the most dangerous and the most diabolical. Senator Johnson, of Tennessee, the fearless champion of the Union, well denominates it "hell found and hell bound." Its pretensions are so monstrous, and its results if carried into practice would be so deplorable and so ruinous, that its paternity may with propriety be attributed to the fallen archangel. Nullification was bad enough, dis-

obedience to a constitutional law of Congress by one of the States of the Union was dangerous enough ; but the doctrine that a State, itself being the judge of the provocation, may peaceably secede from the other States without a change of the Constitution, and even without the consent of its co-partners—if, according to the Southern notion, our Confederation is nothing but a co-partnership—at the same time taking violent possession of the common property that happens to be within its reach, is a sublimity of audacity at which the great nullifier himself would have stood aghast.

Fellow-citizens, ours is a Government, a Government of the people, created by the people as a political necessity, because the old Confederation lacked the proper and indispensable elements of a government, unity, and strength. The Constitution was adopted to form a more perfect Union. If the Southern doctrine be true, it formed a less perfect one. It is not a league or a co-partnership. There is no Government on earth whose rights, duties, and obligations are so clearly defined as that of the United States. A State can no more withdraw the allegiance of its people from the Government than the Government can fail to perform the duties that devolve upon it by the Constitution. The obligations of the Government are to the people of the country, and their allegiance is primarily due to the Government ; and every citizen, no matter what may be the action of his State, who wages war against it, is a traitor, and should receive a traitor's doom. States did not create the Government ; so far from it, they were made States by the formation of the Government, and they have no power whatever to annul their allegiance of their citizens to the Government.

There are two ways by which States can withdraw from the Union. One is by a change of the Constitution, according to its own provisions ; the other by successful revolution. Secession is revolution, and it is idle to call it anything else. It is rebellion against the Government, and if the Government had failed to take the necessary steps to suppress it, it would not have been regarded and recognized as a nation at home or abroad. It does not follow that its inability to suppress

the rebellion in the Southern States would be the destruction of the Government ; on the contrary, it may be strengthened in its nationality by an unsuccessful effort to subdue it. England did not suffer in its nationality by the loss of its American colonies ; but if, through fear of insufficiency, she had permitted them peaceably to secede, what would have been her position among other nations, and how many of her other colonies would she have retained ? Austria did not cease to be a nation when the Italian States succeeded, by force of arms, in severing themselves from the empire ; but if they had been permitted peaceably to resume their independence, how strong would have been her hold upon Hungary ? This fact will at least be established by the present war. States that attempt to go out of the Union will have to fight their way out. I apprehend that the result of this present secession movement will be such as will satisfy the people of all the States that secession means war, and can only be accomplished by the exercise of power superior to that of the Government. If South Carolina had been given to understand, as she would have been advised if Andrew Jackson had been President, that she could only leave the Union by a successful trial of arms with the Government, she would have hesitated long before she made the fatal plunge.

No, fellow-citizens, peaceable secession is an impracticability, a monstrous heresy and delusion. Secession is revolution, and the seceded States are now in open revolt against the Union. The leaders in this rebellion did not seek by proper means a change of the Constitution by which their property might be made more secure, for that property was as secure as constitutions and laws could make it ; or by which their rights might be made safe, for no right of theirs had ever been interfered with by the Government ; or by which they might be separated from the Northern States, for they did not dare to trust their own people with the decision of this question. They determined to strike a blow at the Union itself, and by precipitating hostilities, by an attack upon the property and forces of the Government, to commit themselves and their associates to such acts of treason as would render a successful revolution an indis-

pensable necessity. They trusted, doubtless, that the revolution would be a comparatively easy and bloodless one, because they regarded the administration as inefficient, and believed if Mr. Buchanan should attempt to do his duty that he would be held in check by their friends in his Cabinet and in Congress and a strong party of sympathizers in the Northern States. Even now, with unparalleled impudence and effrontery, they ask only to be let alone. They say they seek not war, but peace, after they have plundered mints, captured forts, and treated with atrocious barbarity and driven from their property and their homes thousands of Union men, who were charged with no crime but that of loving their country and honoring its flag, and have marshalled their forces with the avowed purpose of attacking the Federal Capitol.

I claim to be a conservative man. I have entertained no prejudice against the people of the Southern States, and had no disposition to wage war upon or interfere with their domestic institutions. On the contrary, I have ever been disposed to yield something of sentiment and principle for the sake of conciliation, and to give to slavery rights and privileges that the Constitution never contemplated. I feel, therefore, that I can express an impartial judgment upon the political events that have recently transpired, and are now transpiring, in the Southern States, and I have no hesitation in saying that the treason of the Southern members of Mr. Buchanan's Cabinet, and most of the Southern Senators and members of Congress, in deliberately plotting the overthrow of the Government which they were under the most solemn oath to support, was of unparalleled atrocity; and that the attempt of the Confederates to destroy the Union by which the South, in common with the North, had been so greatly prospered, is an act of madness of which history affords no example.

For their treason no apology can be offered; to justify the revolution they have commenced, they must plead before that great tribunal, the public sentiment of the world.

Let us look for a moment at their pleas:

1. They charge that the Government had failed to accomplish the object for which it was created.

What says the preamble of the Constitution? "We, the people"—mark the language—"we, the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and to our posterity, do ordain and establish this Constitution for the United States of America."

Now, in which of these particulars has the Government failed of its object? Did it not form a more perfect Union, and if that Union is not perfect to-day, is it not owing to the treason and violence of those who complain of its failure? Has it not insured domestic tranquility, except so far as that tranquility has been disturbed by those who now assail it? Has it not established justice, provided for the public defense, promoted the general welfare, and secured the blessings of liberty to our fathers and to us? In no single particular has it proved a failure. It has, in its practical workings, proved more beneficial than its most friends and advocates ever anticipated. It made and has continued us a nation, honored and respected throughout the world, and covered the land with unexampled prosperity.

2. It is charged that the policy of the Government has been inconsistent with the interests of the South.

To this it is answered that the South has mainly controlled this policy; that there is not now, and never has been, upon the statute book of the nation a single law that could have been placed there without the aid of Southern votes; that the first protective tariff bill was introduced by a distinguished Southerner, and passed Congress against the opposition of Northern members, and that no important legislation has been consummated at Washington without the sanction of the representatives of Southern States. Nay, further, aside from foreign immigration, which naturally avoided the States in which labor is disreputable, the Southern States have increased in population as rapidly as the Northern, while her orators and statesmen have claimed a more rapid development of resources and increase of wealth, together with a higher civilization, than were witnessed in the Northern States. I defy any man to show that the North has been oppres-

sive to the South, checked her expansion, or laid the slightest unequal burdens upon her enterprise or her industry.

3. The North has become abolitionized and only waited the proper opportunity to overthrow the institution of slavery.

To this I say, that while the public sentiment of the Northern States has been unfavorable to slavery, there has been no disposition among the people generally to interfere with it in the States, while a large minority have been willing to give to it equal privileges in the Territories. In every contest between the sections upon the subject of slavery the South has been the victor. The history of the admission of Missouri, the compromise bills, and the repeal of the Missouri compromise fully establish this fact. The very day on which South Carolina resolved herself out of the Union, the rights of the South were more fully secured by acts of Congress and the decisions of the courts than they had ever been since the Constitution was adopted; and, further, after the secession movement had commenced and a good portion of the Southern Senators had resigned, Congress, by a two-thirds vote, adopted an amendment to the Constitution declaring that Congress should never interfere with slavery in the States, and that this amendment should be irrevocable; and the Dred Scott decision gave to the institution ample protection in the Territories.

I do not deny that there has been too much acrimony and bitterness in the discussion of the slavery question among a portion of our Northern people, but there has been equal acrimony and bitterness in its discussion among the ultraists of the South. If Northern men have denounced slavery as a relic of barbarism, a reproach upon republicanism, aggressive and dangerous, Southern men have claimed for it a divinity of origin, a benevolence and utility which the world at large could not recognize. If Southern institutions have been assailed by the opponents of slavery, Northern labor and Northern institutions have been assailed with equal violence by the advocates of slavery. Ultra men on both sides have been at fault; but these are but an in-

significant fraction of the people, and it would be lamentable indeed if the most vital interests of the many should be sacrificed by the fanaticism and violence of the few.

4. The election of Lincoln, a sectional candidate, was of itself an evidence of the deep-rooted hostility of the North to slavery, and rendered the continuance of the Southern States in the Union dishonorable and dangerous to them.

But the election of Lincoln would not probably have occurred but for the course of the ultraists in breaking up the Charleston convention, and the intelligence of his election was received with rapturous delight by those who pretended to regard it as a calamity. Mr. Douglas gave it as his opinion that the same game would have been played if he had been the successful candidate.

Lincoln was elected in conformity with the Constitution. It would, at all events, have been prudent, not to say patriotic, on the part of his opponents at the South if they had, as they pretended to have a reverence for the Constitution and a regard for the Union, to have awaited the developments of his administration, and if any demonstrations were made by him or his party against their interests, to have held them in check by their majority in the Senate and the expressed opinions of the Supreme Court before taking extreme measures to protect those interests against imaginary dangers. This, however, did not suit their designs. They knew that as far as the slavery question was concerned, the administration of Lincoln would closely conform to that of his predecessors and to the letter and spirit of the Constitution, and that this would contradict their predictions and defeat their plans. They knew their friends were in power, and that with Cobb in the Treasury and Floyd and Toucey in the War and Naval Departments, the Treasury could be plundered, the army demoralized, and the navy scattered to the "four winds of heaven." They struck when they did because they thought the power was in their hands and that it was dangerous to delay.

No, fellow-citizens, these pleas are mere pretexts to justify an unholy and unnatural rebellion. Revolution-

ists at the South long ago plotted the destruction of the Union. A proud aristocracy, regarding labor as a disgrace and democracy an enemy, they have for years indulged the idle dream of a great Southern oligarchy of which slavery should be the corner-stone, a free trade with Africa, and boundless acquisition of Central American and Mexican territory ; but, like the Turk awakening from his dream of glory to die beneath the ponderous blows of Marco Bozarris, these conspirators and traitors have been awakened from their dreams of aggrandizement by the battle-cry of a united and indignant North rallying to the defense of the Constitution and the Union.

Fellow-citizens, the issue has been forced upon the country and it must be met with whatever cost of life and treasure it may be attended. We have, each of us, a deep and vital interest in the Government. No wiser, no more beneficent one ever existed ; if destroyed, no similar one will succeed it. It has protected our fathers and us, and we are under the highest obligations to transmit it for the protection of our posterity. It cost thousands of precious lives and millions of treasure to establish it, and it is worth a hundred times its cost to preserve it.

The time for compromises has past. Concessions to traitors in arms will sap the very life blood of the nation. Not that I am opposed to fair and reasonable compromises for the settlement of Constitutional questions, but because this is not the time to make them. While the property of the Union men at the South is being confiscated, and its owners have been either slain or driven from their homes ; while privateers are being fitted out to prey upon our commerce ; while rebel armies are threatening our Capitol, the man who talks of compromises, or asks what is to be done with the South if it should be subjugated, or how the Union is to be restored by war, is in danger of letting his fears or sympathies run away with his judgment and his patriotism.

I do not attempt to estimate the cost of the war. I do not stop to inquire whether the South can be brought back to its allegiance and its duty. I know only that if the Government is not now sustained, and this unnatural

rebellion suppressed, that the Union will be severed forever, and a legacy of perpetual war bequeathed to our children, even if republicanism is not irretrievably ruined.

The war must go on ; not to subjugate the South, not to hold it as a conquered province, but to vindicate the majesty of law and maintain the integrity of the Union. That this is the almost universal sentiment of the North is witnessed by the millions of freemen who have already responded, or stand ready to respond, to the call for volunteers. More than a million and a half of the people of the North voted against Lincoln at the late Presidential election and in favor of the different candidates that were supported at the South, and it is one of the cheering signs of the times that very few of this immense number of voters permit their sympathy for the South to cause them to falter in their loyalty to the Government. None have responded more promptly and heartily to the call of the President than the very men who opposed his election. They come forward to take up arms ; not to wage war upon slavery, nor to subjugate the Southern States, but to sustain the Government in this the time of its trial, to encourage Union men in the South, and to put an end to the doctrine of secession forever.

They march under that good old flag that was never dishonored until treason raised its impious hand against it, and I have unlimited confidence that they will triumph where it floats. There is an inspiration about the stars and stripes, in the history they teach and the principles they illustrate, that will lead our gallant volunteers to victory. They are the symbol of liberty and equality, the ever enduring principles of justice and equity. These principles are eternal, and no other flag represents them. It is the flag of the Union, bright with the glories of the past—the reflected glories of the Revolution and the more recent glories of the Republic. It reminds us of our naval victories, of Hull and Perry, and Decatur and other gallant commanders who added to its lustre and vindicated its principles upon the quarter deck. It reminds us also of Plattsburg and New Orleans, of Palo Alto and Buena Vista and Monterey, of Vera Cruz, Cero Gordo and Mexico. It has been trailed in the dust in

Charleston, buried with mock honors in Memphis ; but as long as liberty is loved and justice is honored, so long will true men stand by its folds and weave its bright recollections about their hearts. It is our country's flag, and we love it as we love that country. Every star is precious to us, not one must be erased. It covers everything that is dear to us, our lands, our homes, our wives and our children. Americans in distant lands exult as they see it floating over our ships. Our dying soldiers upon the battle-field fix their last gaze upon it, and are satisfied if they have not dishonored it. It has been borne in war from Montreal to Mexico, and in peace to every quarter of the globe. Millions of the oppressed in other lands have looked up to it with reverence and hope. Millions of freemen in our own land have pledged their strong arms and, if need be, their hearts' blood to defend it. It must continue to be the American flag. Temporarily displaced in a part of the Southern States, true hearts will there again upraise it, nor stay their hands until it floats again over Norfolk, and Richmond, and Charleston and New Orleans. Whenever it shall be permanently dishonored by unhallowed ambition or the defection of freemen, liberty will have perished, and the stars and stripes will be its appropriate winding sheet.

Fellow-citizens, a Providential hand has led this nation through all its trials up to its present greatness. That hand was witnessed in the voyage of the Mayflower in her stormy passage ; in the preservation of the little band of exiles, the germ of an empire, shelterless against the stormy blast, helpless against a savage foe ; in the planting of a somewhat different order of men in Virginia ; in the growth and expansion of both their Union as colonies, their successes in the Revolution, and their stronger and closer union under the present national Constitution. It has been witnessed in our wonderful advancement as a nation, the glory of our arms, the prosperity that has filled our cup to overflowing. It cannot be that the Providential hand which has led us step by step from so small a beginning to such a height of greatness will now abandon us ; that our experiment of self-government is to be a failure ; that our

Union is to be permanently severed ; that our, until recently, United States are to be converted into permanently hostile sections, and that the sun of our prosperity is to go down in the blackness of darkness forever. On the contrary, I believe that the manifest designs of Providence in building up this great nation will be carried forward, that a true Union sentiment will ere long reveal itself in the seceded States, and that treason will be crushed out by true men at home or the strong arm of Federal power.

Our extensive domain, vast as it is, was intended for the home of a single nation. The course of its great rivers, the nature of its various products, the fact that what one section supplies in excess of its wants the other needs, nay, the very antagonism of its different civilizations, create a necessity for the Union. Between the lakes and the gulf, the eastern seaboard and the western frontier, there must be one united government, or jealous, hostile, belligerent States, in which will be reproduced the terrible scenes of anarchy, war and despotism that for so many centuries in other lands have made humanity weep and justice veil her face. From such a calamity may God preserve this fair land.

I was gratified to learn on my return to Fort Wayne, a few days ago, that this Fourth of July was to be celebrated in an old-fashioned way. I had been apprehensive that the excitement of war and the clouds that seemed to cover our political future might lead to its neglect. I was pleased to be undeceived. I am more pleased at the spirit and enthusiasm which it has called out. Never was its celebration more appropriate than now. We need its teachings and its inspirations. If any one is despondent of his country, let him go back to 1776 for encouragement and strength. Let him be baptized in the spirit of the founders of the Republic. Clouds and darkness are about us ; thicker ones surrounded them, but with the eye of patriotic faith they pierced those clouds and caught the beam of that sun of liberty that was soon to pour its meridian blaze upon the land they loved. May we not call up something of their faith, and behind the clouds that now infold us behold a more perfect Union, purified of treason and strengthened by its perils ?

The descendants of those who fought at Bunker Hill, and Saratoga, and Camden, and Yorktown, who stood sentinel, barefooted, upon the frozen ground at Valley Forge, should never despair of the Republic. The good ship of state has weathered many a storm, and she will survive the present. Her timbers are neither rotten nor worm-eaten. Her commander-in-chief is honest and recognizes no chart but the Constitution. The second in command, the old war chief of the nation, is no other than the hero of Lundy's Lane, the conqueror of Mexico, the man whom Wellington pronounced the greatest captain of the age, who never lost a battle or was forced to retreat. He has nailed his flag to the mast, and it will never be struck to the enemy, foreign or domestic, while there is a "shot in the locker" or a plank that is not riven. Cool in the midst of danger, he represses the unwise ardor of his friends and thwarts the plans of the enemy. Acknowledging allegiance to God and his country alone, his loyalty is a consuming fire to the traitors of his native Virginia. To the stars and stripes he gave his youthful vows. They have been the object of a life-long love; may his sun not go down until they wave again over a preserved Union.

Fellow-citizens, it is good for us to be here. The Republic is not a failure; the Fourth of July is not a failure; the prediction of the elder Adams is not falsified. By those who have forgotten its lessons, turned away from its blessed memories, the Fourth of July may be ignored, but to us and to our children it shall ever be a consecrated day. It has been welcomed by us by the roar of the cannon, the beating of the drums, and other demonstrations of rejoicing, and it will ever be so welcomed as long as civil liberty has a resting-place in the land on which our fathers established it.

Thunder storms are needed to purify the atmosphere. When they pass over the sun appears again with increased splendor. It may be that the thunder cloud of war that now covers our nation was needed to purify our political atmosphere, test the strength of our patriotism, cleanse our nation of its corruptions, or to punish us for our arrogance and pride; but as the natural sun shines behind the storm clouds and only veils his face

for the benefit of man, may we not trust that behind the clouds that are now gathering about our political horizon the sun of liberty and union is still shining and will ere long appear again more brilliant and beautiful from its temporary obscurity?

Nations, like individuals, have their periods of trial ; but as he is a coward and craven who quails before the blasts of adversity, so our nation would be cowardly and craven, unworthy its high place among the nations, if it quailed before the blasts that treason has excited. Let the storm blow ; let traitors rage, and the despots of Europe "imagine a vain thing," liberty is still with us a living principle ; the Union, though assailed, a practical reality ; and bound together and cemented as they were by the blood of the Revolution, may we not hope that they are indissoluble and imperishable?

NOTE.—This address was delivered when war feeling was thoroughly aroused, and great indignation was felt against the Southern States. Subsequently I came to regard the war as the necessary result of slavery. The attempted secession of the Southern States was rebellion, not treason.

MARCH, 1890.

ADDRESS

DELIVERED AT

FORT WAYNE, IND., OCTOBER 11, 1865.

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FORT WAYNE, IND., OCTOBER 11TH, 1865.

Accept, Mr. President, and you, gentlemen, my sincere thanks for the honor you have done me in inviting me to this entertainment and for the sentiment to which you have responded. From the day I entered Fort Wayne—a stranger in a strange land—I have been treated by its citizens with a kindness and consideration altogether beyond my merits, and for which I shall ever be grateful.

But no trust that has ever been reposed in me, and no kindness of which I have been the recipient, has touched my heart so sensibly as this demonstration of your respect. I lack the language to express to you, Mr. President, and to you, gentlemen, my obligations for this evidence of your personal regard and this testimonial of your appreciation of the manner in which I am discharging the duties of the very important position to which I was last spring unexpectedly called. I can only return to you my sincere thanks and pledge to you my best efforts so to perform my official duties as to reflect no discredit upon my friends in Fort Wayne, whose good opinion I so highly value. Next to my desire to acquire and leave behind me a reputation that my children may not be ashamed of, has been my desire so to perform the duties that may devolve upon me that my friends in Indiana, those with whom I have been connected by social and business ties, would have no occasion to regret the indorsement they have given me.

No place will ever be so dear to me as Fort Wayne; no friendships will ever be so strong as those which I have formed here. I am, you know, one of the pioneers

of this beautiful city. When I crossed the St. Mary's, swimming my horse by a side of a canoe, on the 23d of June, 1833, Fort Wayne was a hamlet, containing a few hundred souls; an Indian trading post, a mere dot of civilization in the heart of a magnificent wilderness. Under my own eye, as it were, it has become a city of nearly twenty thousand people, a city full of vigor and enterprise, the second city of the State. I am proud of Fort Wayne and of the noble State of Indiana—a State which has been second to no State in the Union in her devotion to the Government and in the gallantry with which her sons have defended it. I am thankful when I crossed the mountains, in common parlance, “to seek my fortune,” my feet were directed to Indiana, and especially to this place. Wherever duty may call me hereafter, this will ever be to me my home. Many of my kindred sleep in our beautiful cemetery, and there, I trust, will be my resting-place when I am called upon to join the great company of the departed.

But Fort Wayne has other attractions to me. The friends of my early manhood are here. It is true that thirty years have spared but few of those who took me by the hand and bade me welcome to the new country; but a number remain, and some are present on this occasion. I do not know how it may be with others, but for myself I can truly say that as one after another of that pioneer band passes away, my attachment to those that remain grows stronger and stronger; and I am inclined to the opinion that the attachments and friendships which are formed on the frontier, where those who are seeking new homes at a distance from their old ones are thrown together in a common society in which all are equals, and where the circumstances in which they are placed and the very cravings of their natures open their hearts to each other with confidence and trust, are stronger and deeper rooted than those which are formed in older and more populous communities. But whatever may be the cause, the fact exists that Fort Wayne is dearer to me than any other place in the world, and that there are no friends to whom I am so deeply attached as to those whose familiar faces seem cordially to greet me when I return to it.

Mr. President, since I paid my last visit to Fort Wayne, a little less than a year ago, great events have transpired in the United States. The rebellion, although it had received many staggering blows from our gallant soldiers under the distinguished generals whose fame is world-wide, was then still audacious and defiant; and although the result might not have been considered doubtful, the end of the war seemed not unlikely to be far in the future. Eleven months have passed away, and this great civil war has been brought to a glorious conclusion. The stars and stripes are again recognized as the emblem of liberty and union in every part of our national domain, and more than eight hundred thousand loyal men have been mustered out of service, and converted from gallant soldiers into peaceable, law-abiding and industrious citizens. The question of State sovereignty has been settled by an appeal to arms, and the sovereignty of the Government under the Constitution established forever. The greatest civil war that has ever been waged upon the face of the earth has been concluded; the most powerful armies of modern times have been disbanded; and yet civil liberty is as safe and vigorous as it was before the war commenced. During the progress of the rebellion there has been a strain upon republican institutions, but they have sustained it without the loss of a particle of their strength. State rights and individual rights may in some instances perhaps unnecessarily have been invaded; but to-day there is at the North no State right under the Constitution, and no individual right, which is not as much respected and as well established as when the first gun was fired upon Sumter. It is this fact which makes our triumph a more sublime and greater triumph than the result of the war itself.

But this is not all. Just at the moment when the people were rejoicing over the fall of Richmond and the surrender of the Confederate armies, the chief magistrate of the nation, the most beloved and trusted of men, fell by the hand of an assassin. For a moment the nation was struck dumb by the atrocity of the act and the magnitude of the loss that had been sustained. As the report flashed over the wires that the beloved

chief magistrate of the nation, in the midst of rejoicings over our victories and the prospect of returning peace, had been slain, what heart was there throughout this broad land which was not filled with anguish and apprehension? What thinking man did not put to himself the question, Can the Republic stand this unexpected calamity? Can our popular institutions bear this new trial? The anguish remained, and still remains, but the apprehension existed but for a moment. Scarcely had the announcement been made that Lincoln had fallen, before it was followed by the report that the Vice-President had taken the oath of President, and that the functions of government were being performed as regularly and quietly as though nothing had happened.

And what followed? The body of the beloved President was taken from Washington to Illinois, through crowded cities, among a grief-stricken and deeply-excited people, mourning as no people ever mourned, and moved as no people were ever moved; and yet there was no popular violence, no outbreak of popular passion; borne a thousand miles to its last resting-place, hundreds of thousands doing such honor to the remains as were never paid to those of king or conqueror, and the public peace, notwithstanding intense indignation was mixed with intense sorrow, was in no instance disturbed. Hereafter there will be no skepticism among us in regard to the wisdom, the excellence, and the power of republican institutions. There is no country upon earth that could have passed through the trials to which the United States have been subjected during the past four years without being broken into fragments.

Of Mr. Lincoln this is not a fitting occasion for me to speak freely. This much, however, I may be permitted to say, that the more I saw of him the higher became my admiration of his ability and his character. Before I went to Washington, and for a short period after, I doubted both his nerve and his statesmanship; but a closer observation relieved me of these doubts, and long before his death I had come to the conclusion that he was a man of will, of energy, of well-balanced mind, and wonderful sagacity. His practice of story-telling when

the Government seemed to be in imminent peril and the sublimest events were transpiring, surprised, if it did not sometimes disgust, those who did not know him well; but it indicated on his part no want of a proper appreciation of the terrible responsibility which rested upon him as the chief magistrate of a great nation engaged in the suppression of a desperate rebellion which threatened its overthrow. Story-telling with him was something more than a habit. He was so accustomed to it in social life and in the practice of his profession that it became a part of his nature, and so accurate was his recollection, and so great a fund had he at command, that he had always anecdotes and stories to illustrate his arguments and delight those whose tastes were similar to his own; but those who judged from this trait that he lacked deep feeling, or sound judgment, or a proper sense of the responsibility of his position, had no just appreciation of his character. He possessed all these qualities in an eminent degree. It was true of him, as it is true of all really noble and good men, that those who knew him best had the highest admiration of him. He was not a man of genius, but he possessed in a large degree what is far more valuable in a public man, excellent common sense. He did not undertake to direct public opinion, but no man understood better the leadings of the popular will or the beatings of the popular heart. He did not seem to gain this knowledge from reading or from observation, for he read very few of our public journals, and was little inclined to call out the opinions of others. He was a representative of the people, and he understood what the people desired rather by a study of himself than of them. Granting that, although constitutionally honest himself, he did not put a very high valuation upon honesty in others, and that he sometimes permitted his partiality for his friends to influence his action in a manner that was hardly consistent with an upright administration of his great office, few men have held high positions whose conduct would so well bear the severest criticism as Mr. Lincoln's; but I shall not undertake his eulogy. The people have already passed judgment in favor of the nobleness and excellence of his character and the wis-

dom of his administration, and the pen of impartial history will confirm the judgment.

But you will expect, perhaps, that I say something of his (Mr. Lincoln's) successor. In any other place, and under any other circumstances, I should not feel at liberty to make any particular allusion to the President of the United States, holding, as I do, a seat in his Cabinet. But knowing that many of you, my townsmen and neighbors, have been of the opinion that the settlement of the great questions which would necessarily come up for settlement at the close of the war would require on the part of the chief magistrate a profounder wisdom and a broader statesmanship than were required during its continuance, and that not a few have been deeply anxious lest Mr. Johnson might be unequal to the prodigious work that has been devolved upon him, I feel constrained to say that there is, in my judgment, no ground for apprehension on this subject. Trying and difficult as is his situation, Mr. Johnson is master of it. He possesses in an eminent degree the qualities that fit him for the Presidency at the present time. A Southern man, thoroughly acquainted with the effects of slavery upon society, he knows how to deal with Southern men in their present circumstances; ardently attached to Tennessee, the love which he bears to his State is entirely subordinate to that which he bears to the Union; jealous of State rights, he is equally jealous of the rights of the general Government; a radical and uncompromising opponent of nullification, secession, and every form of disloyalty, he is equally opposed to any measures which, in his judgment, are calculated, by depriving the States of their just rights under the Constitution, to convert the Federal Government into a despotism; raised in slave States, and until recently a slaveholder, he has never had any love for slavery, and has always been the antagonist of the aristocracy that was based upon it. By nature and by education he is just the man for the great work of re-establishing the Federal authority over the recently rebellious States; and he has taken hold of this work with a devotion, an energy, and a prudence that promises the best results.

He is a man, also, of excellent judgment and great

singleness of purpose. Honest himself, he expects honesty in others; although long in public life, and a leading politician of his own school, he is in no sense a partisan; unassuming in manners, he is yet self-possessed and dignified; he listens to the advice of those in whose judgment he has confidence, but acts upon his own convictions, and generally according to his first impressions; with great decision of character, he is never hasty in action; stern and unyielding in his adherence to principle and duty, he is a man of kindly and gentle emotions; having by his own indomitable energy fought his way up from a low to a high estate, he is in hearty sympathy with those who are treading the same upward path; he is, in a word, a clear-headed, upright, energetic, self-relying statesman; a dignified, courteous and kind-hearted gentleman. His administration will be characterized by all the force and energy and independence of Jackson's, with very little of its partisan character.

Under his direction the great work of re-establishing civil government at the South under the Federal Constitution is going rapidly forward—too rapidly, it seems, according to the opinion of many at the North, whose opinions are entitled to great consideration. I know, sir, that many doubt the wisdom of Mr. Johnson's policy; that many are of the opinion that by their ordinance of secession the rebellious States had ceased to be States under the Constitution, and that nothing should be done by the Executive in aid of the restoration of their State governments until Congress had determined on what terms they should be restored to the Union which they had voluntarily abandoned and attempted to destroy; that as the people of these States had appealed to the sword and had been subjugated by the sword, they should be governed by the sword until the lawmaking power had disposed of the subject of reconstruction; that no State that had passed ordinances of secession and united with the so-called Confederate Government should ever be admitted again into the Union unless in its preliminary proceedings all men, irrespective of color, should be permitted to vote, nor without provisions in its Constitution for the absolute enfranchisement of the

negro. Some go even further than this and demand the confiscation of the property of all rebels and the application of the proceeds to the payment of the national debt.

These are not, I apprehend, the views of a respectable minority. I know they are not the views of a majority of the people of the North. The better opinion is that the States which attempted to secede never ceased to be States in the Union; that all their acts of secession were of no effect; that during the progress of the revolt the exercise of the Federal authority was merely suspended, and that there never was a moment when the allegiance of the people of the insurrectionary States was not due to the Government, and when the Government was not bound to maintain its authority over them and extend protection to those who required it. When the rebellion was overcome, the so-called Confederate Government and all the State governments which had been formed in opposition to the Federal Government ceased to have even a nominal existence, and the people who had been subject to them were left for the time being without any government whatever. The term of office of the Federal officers had expired or the offices had become vacant by the treason of those who held them. There were no Federal revenue officers, no competent Federal judges, and no organized Federal courts. Nor were the people any better off so far as State authority was regarded. When the Confederacy collapsed all the rebel State governments collapsed with it, so that, with a few exceptions, there were no persons holding civil office at the South by the authority of any legitimate government.

Now, as government is at all times a necessity among men, and as it was especially so at the South, where violence and lawlessness had full sway, the question to be decided by the President was simply this: Shall the people of the recently rebellious States be held under military rule until Congress shall act upon the question, or shall immediate measures be taken by the Executive to restore to them civil governments?

After mature consideration the President concluded it to be his duty to adopt the latter course, and I am satisfied that in this conclusion he was right. And here

let me say that in doing so he was carrying out the very policy which had been determined upon by Mr. Lincoln and his Cabinet.

Military rule will not be endured by the people of the United States one moment longer than there is an absolute necessity for it. Such an army as would have been requisite for the government of the people of the South, as a subjugated people, until Congress might prescribe the terms on which they could be restored to the Union, would have been too severe a strain upon our republican institutions, and too expensive for the present condition of the Treasury. The President has, therefore, gone to work to restore the Union by the use, from the necessity of the case, of a portion of those who have been recently in arms to overthrow it. The experiment may be regarded as a dangerous one, but it will be proved, I apprehend, to have been a judicious one. Never were a people so disgusted with the work of their own hands as were the great mass of the people of the South (even before the collapse of the rebellion) with the Government which was attempted to be set up by the overthrow of the Government of their forefathers; never were a people so completely subjugated as have been the people of the rebel States. I have met a great many of those whom the President is using in his restoration policy, and they have impressed most favorably. I believe them to be honest in taking the amnesty oath, and in their pledges of fidelity to the Constitution and the Union. Slavery has perished—this all acknowledge—and with it has gone down the doctrine of secession. State sovereignty has been discussed in Congress, before courts, in the public journals, and among the people, and at last, “when madness ruled the hour,” this vexed question was submitted to the final arbitrament of the sword. The question, as all admit, has been fairly and definitely decided, and from this decision of the sword there will be no appeal. It is undoubtedly true that the men of the South feel sore at the result, but they accept the situation, and are preparing for the changes which the war has produced in their domestic institutions with an alacrity and an exhibition of good feeling which has, I confess, surprised, as it has gratified me.

In the work of restoration the President has aimed to do only that which was necessary to be done, exercising only that power which could be properly exercised under the Constitution, which guarantees to every State a republican form of government. Regarding slavery as having perished in the rebellious States, either by the proclamation of his predecessor or by the result of the war, and determining that no rebel who had not purged himself of his treason should have any part in the restoration of the civil governments which he is aiding to establish, he has not considered it within the scope of his authority to go further and enfranchise the negro. For this he is censured by many true men at the North and a few extreme men at the South, but I have no doubt that he will be sustained by the people, and that the result will vindicate the wisdom of his course.

But while the President is inclined to treat with kindness, and to trust those who, under mistaken notions in regard to the character of the Government, joined in the rebellion, but not until (after a struggle on their part to prevent it) the States to which they belonged had passed ordinances of secession, and the United States was unable to extend to them that protection to which they were entitled, there is no man who holds in greater abhorrence than he does the crime of treason or the men who deliberately undertook to destroy the Union.*

And now a word in regard to our finances.

You know that I did not seek, as I did not expect, to be Secretary of the Treasury. To this fact I attribute in a great degree the good feeling and indulgence that have been manifested towards me in the very trying and responsible position I occupy. I accepted the office of Secretary of the Treasury with great distrust of my ability to meet the public expectation, but with a sincere desire to so conduct the affairs of this great depart-

* I retract nothing at this late day (1882) of what I said about Mr. Johnson. He made the great mistake of quarreling with some of the leaders of the Republican party, without conciliating Democrats. Hence the unsuccessfulness and unpopularity of his administration.

ment as to aid in restoring the credit of the Government, which had been damaged by the greatness of the public debt and the uncertainty in regard to the duration, if not to the result, of the war, and in bringing up the obligations of the Government to the specie standard.

I am not one of those who seem disposed to repudiate coin as a measure of value, and to make a secured paper currency the standard. On the contrary, I belong to that class of persons who, regarding an exclusive metallic currency as an impracticable thing among an enterprising and commercial people, nevertheless look upon an irredeemable currency as an evil which circumstances may for a time render a necessity, but which is never to be sustained as a policy. By common consent of the nations, gold and silver are the only true measure of value and the necessary regulators of trade. I have myself no more doubt that these metals were prepared by the Almighty for this very purpose than I have that iron and coal were prepared for the very purposes in which they are being used. I favor a well-secured, convertible paper currency ; no other can to any extent be a proper substitute for coin. Of course, it is not expected that there shall be a dollar of coin in reserve for every dollar of paper in circulation ; this is not necessary. For all ordinary home transactions a paper currency is sufficient ; but there are constantly occurring periods when balances between countries, and in the United States between its different sections, must be settled by coin. These balances are insignificant in amount in comparison with the transactions out of which they arise, and when a vicious system of credits does not too long postpone settlements, they are arranged without disturbing movements of coin. Whenever specie is needed for such a purpose, or for any other purpose, the paper currency of the country should be convertible into it, and a circulation which is not so convertible will not be, and ought not to be, long tolerated by the people. The present inconvertible currency of the United States was a necessity of the war ; but now that the war has ceased and the Government ought not to be longer a borrower, this currency should be brought up to the specie standard,

and I see no way of doing this at an early day but by withdrawing a portion of it from circulation.

I have no faith, sir, in a prosperity which is the effect of a depreciated currency, nor can I see any safe path for us to tread but that which leads to specie payment. The extreme high prices which now prevail in the United States are an unerring indication that the business of the country is in an unhealthy condition. We are measuring values by a false standard. We have a circulating medium altogether larger than is needed for legitimate business ; the excess is used in speculations. The United States are to-day the best market in the world for foreigners to sell in and among the worst to buy in. The consequence is that Europe is selling us more than she buys of us (including our securities, which ought not to go abroad), and there is a debt rolling up against us that must be settled, in part at least, with coin. The longer the inflation continues, the more difficult will it be for us to get back to the solid ground of specie payments, to which we must return sooner or later. If Congress shall early in the approaching session authorize the funding of legal-tenders, and the work of reduction is commenced and carried on resolutely, but carefully and prudently, we shall reach it probably without serious embarrassment to legitimate business ; if not, we shall have a brief period of hollow and seductive prosperity, resulting in wide-spread bankruptcy and disaster.

There are other objections to the present inflation. It is, I fear, corrupting the public morals. It is converting the business of the country into gambling, and seriously diminishing the labor of the country. This is always the effect of excessive circulation. The kind of gambling which it produces is not confined to the stock and produce boards, where the very terms which are used by the operators indicate the nature of the transactions, but it is spreading through our towns and into the rural districts. Men are apparently getting rich, while morality languishes and the productive industry of the country is being diminished. Good morals in business and sober, persevering industry, if not at a discount, are considered too old foggyish for the present

times. But I feel that this is not the occasion for croaking, and perhaps I ought to apologize for the train of remarks into which I have been led.

Whatever financial troubles may be before us, Fort Wayne will suffer as little from them as any other city in the country. Good financial seed was sown here at an early day. If property is high, there is no encumbrances upon it. If expensive buildings are being erected, the owners are not indebted for them. Business is done here on the cash principle. Our merchants generally buy for cash and sell for cash. We shall doubtless wake up some fine morning and find our property worth apparently a good deal less than at present, but if we have no debts to pay in a dearer currency than that in which they were contracted, we shall have little to fear from any crisis that may occur.

But, while I feel anxious about the present inflation and its effects upon the business and morals of the country, I am hopeful that, by wise legislation, we shall escape a financial collapse, and I am confident that a grand future is before the United States. I am hopeful that the currency may be brought up to the specie standard without those financial troubles which have in all countries followed protracted and expensive wars. By the experiences of the past four years we are led to the conclusion that our people have a latent power that always manifests itself when required and is equal to any emergency. I have faith, sir, that as we have, to the astonishment of the world, raised immense armies—larger, I apprehend, than any single nation ever brought into the field—and met the enormous expenses of the war without borrowing from other nations, we shall also be able without a financial crisis to fund our surplus currency and interest-bearing notes, bring back the business to a specie standard, and place the credit of the country on the most stable and satisfactory basis. If we do this we shall accomplish what the soundest thinkers in Europe have considered an impossibility, and what no other people but the free and enterprising people of the United States, occupying the grandest country in the world, could accomplish.

But should we be disappointed in these hopeful ex-

pectations ; should no early check be put upon the issues of paper money ; should prices still further advance and speculation be still further stimulated, and the result thereof be extensive bankruptcy, depression, and hard times, the grand destiny of this country and this Government will not be affected.

The United States occupy the best portion of the temperate zone of a continent, stretching out their arms to Europe on the one side and to Asia on the other, and producing all articles necessary for the subsistence and comfort of the race. If cotton be king, he is, thank God, enthroned in the United States ; if bread be king, where should his capital be but in this great valley of the Mississippi ? This nation has within itself everything that is needed to make it the greatest among the family of nations. Coal and iron in juxtaposition and inexhaustible supply ; mountains and valleys rich enough in gold and silver to furnish the world, for all time, with what may be needed for circulation and other uses ; copper and lead and other minerals in no less abundance ; a soil of wonderful fertility, a climate salubrious and diversified, and, above all, republican institutions, and an energetic and again united people.

We have, it is true, sir, difficult questions growing out of the war yet to be settled, but I have an abiding confidence that they will be settled, as they come up for settlement, in such manner as will strengthen the Union and add to our national renown. The labor question at the South is one of those questions, but if there be no outside interference, it will not, I apprehend, be a very difficult one ; on the contrary, it is quite likely to be a self-adjusting one. The planter wants the labor of his former slaves, and the high price which Southern products will command for years to come will enable him to pay liberally for it. The colored people will soon learn that freedom from slavery does not mean freedom from work. The interests of the two races will not long be antagonistic. The whites will need the labor of the blacks, and the blacks will need employment. There is as much danger to be apprehended from the unwillingness of the latter to labor for a support as from an indisposition on the part of the former to pay fair wages.

Like all other economical questions, it will be settled by the necessities and interests of the parties.

Fortunately for the solution of this question and the well-being of laboring men generally, capital is not supreme in the United States. It does not, as in most other countries, hold labor under its control and dole out to it only such remuneration as will make it most productive. Labor is a power in this free country, with its cheap lands, which are within the reach of all industrious men, and dictates terms to capital. There is no part of the world where labor is more needed than in the Southern States, nor where it will soon command better prices. This labor question at the South will, I doubt not, be satisfactorily arranged in due time for the best interests of all concerned.

But I have trespassed too long upon your time. Accept, again, my thanks for your courtesy, and for the attention you have given to my desultory remarks.

NOTE.—The predictions in this address of the disasters which would result from continued issues of irredeemable Government notes, and of the recuperative power of the country, were fully verified by the terrible financial crisis of 1873 and by the prosperity which followed.

SPEECH

DELIVERED AT THE

ANNUAL MEETING OF THE COBDEN CLUB,

LONDON, JUNE 24, 1871.

SPEECH

DELIVERED AT THE

ANNUAL MEETING OF THE COBDEN CLUB,

LONDON, JUNE 24, 1871.

MY LORD, MY LORDS, AND GENTLEMEN: Until I came to England last autumn, I had lived in a republican country, under republican institutions, for a considerable period on a frontier, where every man was a law unto himself, where law-makers and law-executors—the necessary agents or adjuncts of what is called a “higher civilization”—were practically, if not altogether, unknown. For the last seven months I have been living in London, and I had about come to the conclusion that I had sacrificed very little of personal freedom in coming to a country under a monarchical form of government—that I was about as free here as I had been at home. Indeed, I had availed myself of every proper opportunity to say to my friends on the other side of the Atlantic, that England was, in fact, a free country [cheers and laughter]; that it seemed to me that the English people were in the enjoyment of as much liberty as my own countrymen. Being in this happy frame of mind in regard to the Mother Country, you may judge of my surprise and dismay when I received yesterday morning the following note:

LANGHAM, *June 21st.*

DEAR MR. MCCULLOCH: You will have to respond as an American for the foreigners on the 24th.

Yours, truly,

T. B. POTTER.

[Great laughter.] Could anything be more laconic or mandatory? Not “Will you be so good as to respond?”

or "You will oblige us by responding;" but "You will have to respond"—not only as an American for Americans, but as an American for foreigners, as if an American in England were a foreigner. [Laughter.] Here, in what I had fondly supposed was a free country, I am called upon in the most arbitrary manner to do not only what under any circumstances I might be unwilling to do, but what, in the present circumstances, I am quite unprepared to do. [Cries of "No, no."] Bear in mind, also, that this note was not written by the Queen, nor by a prince, nor a lord, but by a member of the House of Commons—the popular branch of the English Government—by the secretary of a club organized in commemoration of a great popular leader. "If such things can be done in the green tree what may not be done in the dry?" [Laughter.] If such liberties can be taken, or, rather, if a man can thus be deprived of his liberty by a Liberal, what, in the name of human rights, may not be apprehended from a Conservative? [Great laughter.] I am in a strait. It may be dangerous for me to disobey absolutely the mandate of one who speaks as if clothed with authority. backed, as to my surprise he is, by the distinguished Lord Acton; and yet I am clear that I ought not to inflict a poor speech upon so agreeable and intelligent an audience. There is one thing, however, I can do, or rather there is one thing I can stop doing—I can stop calling this a free country, and that I am resolved upon. No one shall ever hear me say one word more in praise of English liberty. With this note in my pocket (and I shall carefully preserve it) I shall bear with me the most conclusive evidence that personal liberty in England is a myth and a delusion. [Great laughter.]

My lord, your great poet—but why should I call him your great poet, a great poet is the world's property—our great poet, the world's great poet, has said that "the evil which men do lives after them, while the good is oft interred with their bones." If the immortal dramatist meant by this remark, which he puts into the mouth of Mark Antony, that the evil which men do is more lasting than the good, he was undoubtedly mistaken; if he were not, the world would be retrograd-

ing in goodness, which I apprehend is not the fact. Bad as the world may be, full of suffering as it unquestionably is, it is nevertheless improving. The world to-day is better than it ever was before. There is at the present time more of kindness and fraternity, more of active humanity, more of what may be denominated Christian civilization, than there has been at any period of the world's history. ["Hear, hear."] The good which men do lives after them; like good seed sown upon good ground, it fails not in due time to bring forth its legitimate fruit. Of few men can it be said more truthfully that the good which they have done lives after them than of Richard Cobden. [Cheers.] His acute intellect, his sound judgment and accurate observation enabled him to discover what was true in the science of political economy, of which he was both student and teacher; and having discovered it, there was no power on earth that could prevent him from advocating it; a lover of peace, he was the earnest, unflinching and, in his own country, the triumphant advocate of the system of free trade, or free exchanges, between nations, which tends to bind them together by the strong ties of mutual interests [cheers]; a sincere lover of his kind, irrespective of nationalities or conditions, he was ever the champion of human rights in the most comprehensive meaning of the term [cheers]; loving England more than any other country, and the English people more than any other people, as it was proper for him to do, his sympathies for his fellow-men were too broad and too generous by be limited by national boundaries [cheers]; he was, in fact, a citizen of the world, and the world claims a heritage in his fame and in the results of his labors. I am sure I do but express the sentiments of all the foreigners present when I say that they heartily indorse the eloquent eulogium which the noble chairman has pronounced upon his character. [Cheers.] The good which he did lives after him, the first fruits of his labors are now being enjoyed, and I am greatly mistaken in my expectations if a richer harvest is not yet to be realized by the nations. ["Hear, hear," and cheers.]

In regard to the recent treaty which has been made

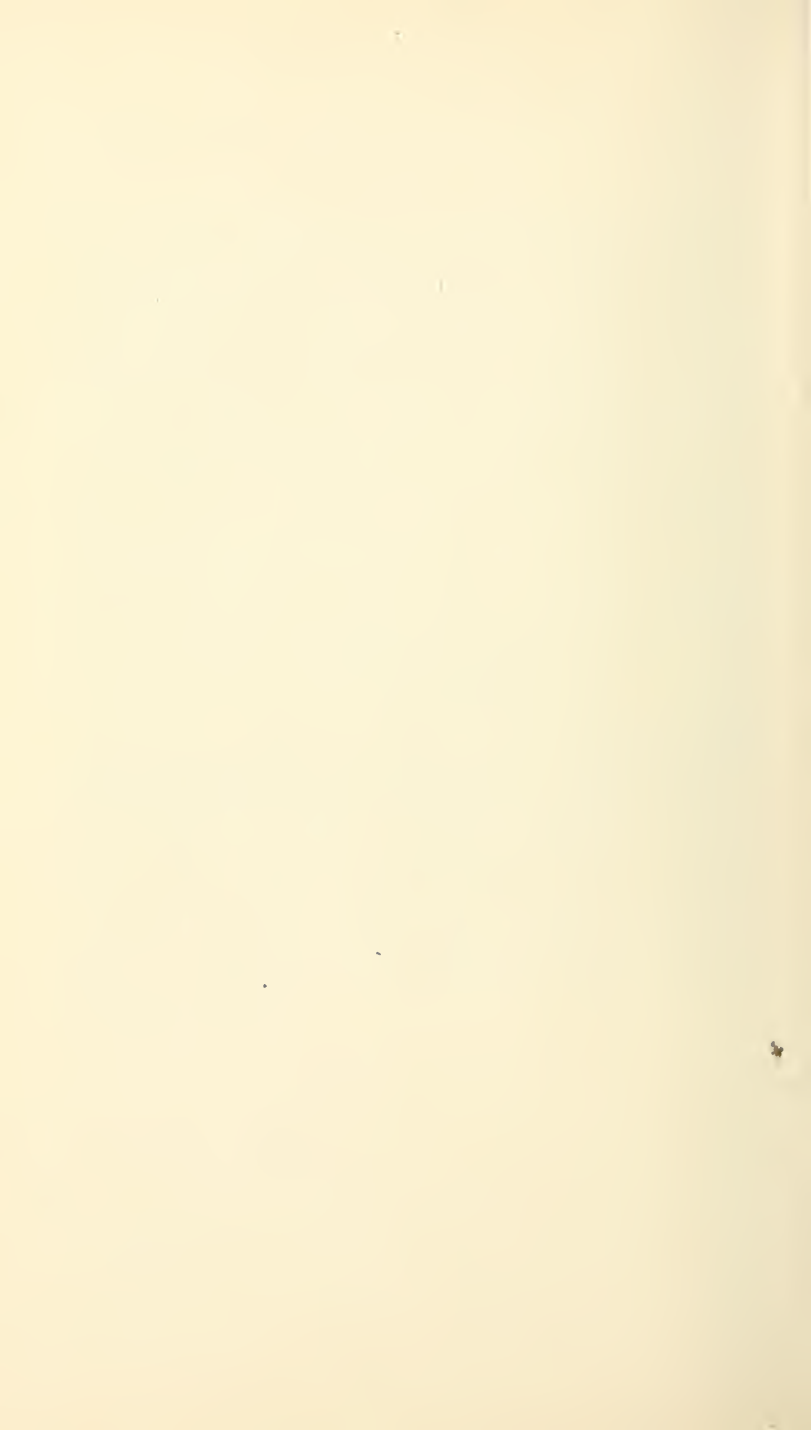
between Great Britain and the United States, it may be proper for me to say that although I have believed that there was less danger than many had apprehended of war between the two nations; although I have had faith that there was a feeling of friendship at the bottom, which, in spite of our jealousies and controversies, would prevent actual hostilities, I have nevertheless regarded it as very important for the welfare of both nations that all irritating and uncomfortable questions which were preventing good fellowship between them should be settled. While there may be—and it would be strange if there were not—some honest differences of opinion on both sides in regard to the merits of this treaty, I am satisfied that among right-feeling men there is a sentiment of sincere gratification that all causes of difference between nations so closely related to each other are removed; and I have no doubt that I am expressing the opinion of an overwhelming majority of my own people as well as the people of Great Britain when I say that the treaty is entirely honorable to both nations, and in the highest degree creditable to the very distinguished gentlemen whose names are connected with it. [Great cheering.] In conclusion, permit me, therefore, to propose the health of the Marquis of Ripon, with the single remark that no honor which Her Majesty has conferred or may confer upon him can equal the reputation so fairly won by the obligation under which he has laid the people of both nations, by his agency in binding them together in amity which can hardly fail to be perpetual. [Great cheering.]

SPEECH

DELIVERED AT A

THANKSGIVING BANQUET GIVEN BY CYRUS
W. FIELD, AT THE PALACE HOTEL,

LONDON, NOVEMBER 28, 1872.



SPEECH

DELIVERED AT A

THANKSGIVING BANQUET GIVEN BY CYRUS
W. FIELD, AT THE PALACE HOTEL,

LONDON, NOVEMBER 28, 1872.

MR. FIELD AND GENTLEMEN: In the United States, or at least in New England, when I was a boy, we had but two holidays. The Pilgrim fathers, as we were in the habit of calling them, considered all observances of saints' days and days that savored of Masses as having been instituted by the prince of darkness: and as they had the control of such matters, very little was done in the direction of holidays. We had, it is true, a day which was sometimes called a holiday, but which should more properly have been called a holy day, an annual fast day. But as this was a day of long sermons and short commons, its return was never hailed with much satisfaction by that large class in the community who had good appetites and little faith in the mortification of the flesh as a means of propitiating the Deity and securing good crops. [Laughter.] We had, therefore, but two holidays, the Fourth of July and Thanksgiving Day. The Fourth, as you well know, was rather a political than a social holiday. It was a day on which everybody was expected to be especially patriotic, on which the younger portion of the community were in the habit of burning powder freely, no matter how hot might be the weather, and of singing hosannas to the goddess of liberty, by whose intervention it was supposed the American eagle had escaped the clutches of the British lion. [Laughter.] But the day of days, the

day of short sermons and good dinners, the day of family reunions, the day of universal good feeling, the day, I am happy to say, on which every board, however humble it might be, was generously supplied with the good things which the country so abundantly produced, was Thanksgiving Day. It was a day which all, New Englanders especially, remember with the liveliest affection, and we feel greatly indebted to Mr. Field that we are permitted to enjoy it together in this place. This celebration will add a new charm to the day of which we always have the most pleasant recollections. I may say, further, that it is a day in the celebration of which Englishmen can heartily join with Americans, for you recollect that the Thanksgiving Day of the Pilgrims was an English institution. It was ordained by Englishmen—on American soil, it is true—but by Englishmen thoroughly loyal to the English throne, and as thoroughly imbued with that spirit of civil and religious liberty which, although it has been subject to temporary obscurations, is the very foundation of the ecclesiastical and political institutions of this great country. [Cheers.] The day is a pleasant one in another respect, and Englishmen and Americans can join in the celebration, especially at the present time, because there never has been a period when such agencies were at work to establish good relations between the two countries. The influences of a common ancestry, of a common literature, of a common language, and, to a considerable extent, a common law, and of a mutually profitable trade, have of late been vastly strengthened by the increased facilities of intercourse and communication.

It is a trite remark, but a true one, that steam and electricity have annihilated distance. Steamships are bringing every year from the United States to this country thousands of Americans, very few of whom would have thought of crossing the Atlantic had it not been for steamships; most of whom—all of whom, I may say—return with increased respect and increased affection for the Mother Country. A large, though smaller, number of English people are constantly visiting the United States, and are as constantly returning with similar sentiments in regard to the great Republic. [Cheers.] Not only so,

but these two nations, so strongly united as they are, and still more strongly united as they are destined to be, these two nations, thanks to our honorable chairman, to whose energy and faith we are, in my judgment, indebted for the Atlantic cable [cheers], can now, as it were, speak face to face ; and I have no question that the eloquent words uttered by the right honorable gentleman [Mr. Gladstone] who has just sat down have ere this been flashed to the United States, and that before the sun hides his face in the Pacific Ocean they will have been read with delight from one end of the country to the other. This is a time also of peculiar interest, because we have at last reached a point at which all differences between the two nations have been definitely and honorably settled. [Cheers.] The right honorable gentleman who has spoken with so much eloquence—I verily believe he could not help being eloquent if he tried—when the Alabama or Washington treaty was somewhat more unpopular than it now is, certainly more unpopular than it is likely hereafter to be, assumed the full responsibility of it. The right honorable gentleman has acquired a reputation which has placed him in the front rank of the most distinguished of his countrymen ; but I incline to the opinion that, brilliant as his career has been, there is no part of it that he will reflect upon with more satisfaction than upon his connection with this treaty. It will be the most lasting and the most honorable monument to his fame. In regard to the treaty itself I have very little to say. It is well understood ; it has been read, at all events, by all who care for the relations between the two countries ; it tells its own story ; it is a simple agreement between two great nations to adjust their controversies by arbitration instead of the sword ; it settles most important principles of international law ; it defines clearly the duties and responsibilities of neutrals. In my judgment, and almost in the language of Mr. Field, it is the greatest achievement of Christian civilization during the present century. [Loud cheers.]

LETTER
TO
MERCHANTS OF CINCINNATI.

LETTER

TO

MERCHANTS OF CINCINNATI.

PLAINFIELD, N. J., *August 17, 1874.*

GENTLEMEN: Your kind letter of the 25th ult. was received at Fort Wayne after I had left. I regret that other engagements prevent me from accepting your flattering invitation to meet my fellow-citizens of Cincinnati, with many of whom I was formerly connected by business and social ties, and to speak to them upon the interesting and what you term "perplexing" subjects of finance and taxation.

I am in no sense a teacher. My opinions upon these subjects are valuable only as the opinions of one who has given to them some thought, and who has been influenced in his conclusions neither by personal nor political (party) considerations. As, however, you desire an expression of them, and as I now find this cannot be given in the manner proposed, I do not hesitate to express them in this manner.

It will be sufficient for my purpose to consider that you especially refer by "Finance" to the currency and by "Taxation" to the tariff, although this is but a limited view of the terms. For want of time I shall only be able to express the conclusions I have reached without undertaking to give the facts or the arguments upon which they are based.

THE CURRENCY.

My opinions upon the subject of the currency are well known by those who took the trouble to read my Fort Wayne speech, and my reports as Secretary of the

Treasury from 1865 to 1869. The opinions I then expressed, in language as strong and unequivocal as I could command, have neither been changed nor modified. On the contrary, they have been confirmed and strengthened by further observation and reflection. I thought it to be the duty of Congress, considering the subject in its moral as well as its financial bearings, to adopt decisive and effective measures to bring about specie payments, and that the time for the adoption of these measures were at the close of the war. I did not think that "the way to prepare for specie payments was to resume," but I did think it of vital importance to the best interests of the country that the restoration of the specie standard should be the end and aim of all legislation bearing upon the subject of the currency.

My conviction was clear and decided that this could only be effected within any reasonable time, and before such financial disaster as has recently occurred would overwhelm the country, by retiring so much of the paper currency in circulation as would be necessary to bring up the residue to par. I thought that this could be accomplished without the occurrence of the apprehended disaster to the business of the country, and without affecting in the least the real value of property; that by a curtailment of the amount of inconvertible notes in circulation, the purchasing or measuring power of the remainder would be proportionately increased, and that, consequently, the amount of real money in circulation would not be thereby diminished; that measuring property by a false standard, could not add to its value, nor by a true standard, reduce it.

There was, it seemed to me, but one class in the community—the debtor class—who could be benefited by a depreciated currency, and I was anxious that decided action for relieving the country of such a currency should be taken immediately after the close of the war, when individual indebtedness was less than it had been for many years. It seemed to me, also, that the injury to this class of our fellow-citizens, from a reduction and consequent improvement of the currency, would be altogether less than was feared by them; that what honest and energetic debtors needed was not legislation to en-

able them to pay their debts in a depreciated currency, but legislation that would give activity to well directed, not speculative, enterprise and stability to business; that as, in fact, one debt is in the course of trade usually paid by the creation of another, and the general indebtedness of the people is not ordinarily from year to year materially reduced, the debtor class itself was in no serious danger of being injured by the elevation of the standard of values, and that if they were to be injured by it, the injury to them would be small in comparison with that which had been inflicted upon creditors by the legal tender acts, which compelled them to receive in satisfaction of existing contracts a currency of far less value than that which was the only lawful money at the time they were made, and who generally bore their losses without murmuring, as a sacrifice required by the Government in its struggles with a gigantic rebellion.

In language which made up by explicitness what it lacked in strength, I pointed out the danger and the immoral influences of an inconvertible and depreciated currency. By every argument I could make, and every illustration I could bring to bear upon the subject, I endeavored to prove, in each of my reports, that a depreciated currency was, and never could be anything else, than a positive, unmistakable injury to the people, morally and financially; that in regard to such a currency there could be no "stand still until the country grows up to it" policy; that by wise legislation we should move toward specie payments, or by unwise legislation or by floating without chart or compass we should find ourselves upon financial breakers before we were conscious of immediate danger.

In my earliest utterances upon the financial question, in a free talk with my Fort Wayne friends, I remarked that "while I regarded an exclusive metal currency among an enterprising and commercial people as an impracticable thing, I regarded an irredeemable paper currency as an evil which circumstances for a season might render a necessity, but which should never be sustained as a policy; that the legal tender notes were issued as a war measure, and that as the war had been brought to a successful termination, measures should be

instituted for retiring them altogether, or bringing them up to the specie standard ; that I had no faith in a prosperity that was based upon depreciated paper money, and that I saw no safe path to tread but that which led to specie payments ; that the extremely high prices prevailing in the United States were an unerring indication that we were measuring property by a false standard ; that the United States were becoming the best country in the world for foreigners to sell in and the worst to buy in ; that the longer inflation continued the more difficult would it be to get back to the solid ground of specie payments ; that if Congress should early in the approaching season (1865 and 1866) authorize the funding of the legal tender notes, and the work of reduction should be commenced and carried on resolutely, but carefully and prudently, we should reach the solid ground without serious embarrassment to legitimate business. If not, we shall have a brief period of hollow and seductive prosperity, resulting in widespread bankruptcy and disaster." Such were my sentiments then, and such are they now.

The truth is, gentlemen, and the reiteration of it ought not to be necessary, gold and silver are the only standards of value ; and as long as we are a part of the great family of nations, and are a commercial people, we can adopt no inferior standard without being greatly the losers by it.

A sound currency is the very life-blood of a commercial people. None but bankrupt nations, with the exception of the United States, keep in circulation an irredeemable paper currency, a currency which in their cases tends to produce and perpetuate the poverty it indicates. To the United States such a currency is utterly disreputable, since there is not the slightest necessity for it. That a nation so rich as ours, so grand in its resources, so vast in its productions, a nation which has challenged the admiration of the civilized world by the rapid reduction of its public debt, commencing that reduction at the close of a war the most expensive that has ever been carried on and actually reducing it at the rate of nearly a hundred million of dollars a year, that such a nation should for so long a

period maintain a depreciated circulating medium, made lawful money by statute, is to intelligent foreigners an inexplicable mystery. The specie standard ought to have been restored ere now, and I believe it would have been if that great power in the land, the press, had given to the doctrines enunciated from the Treasury Department from 1865 to 1869 the hearty indorsement it has given to similar doctrines when proclaimed by the President in 1874.

If the financial trouble that has come upon us, and the consequent prostration of business in nearly all branches of trade, notwithstanding the plentifulness of currency, shall tend to correct the public sentiment in regard to the nature and offices of money, they will not be entirely without compensation. It required the sacrifices of a great war to uproot slavery; perhaps it required the experience of a great financial disaster to teach the people the danger of discarding the true measure of value, and substituting therefor the uncertain, fluctuating standard of irredeemable legal tender notes. It will be lamentable indeed if, instead of being profited by experience, our financial trouble—the result in a great measure of our financial mistakes—shall cause a still wider departure from the paths of wisdom and safety.

Real money—and the world always has had and will have plenty of it for legitimate uses—leaves or avoids countries that have an inferior substitute for it. But no matter what other standard may be adopted by law, or how the fact may be attempted to be disguised, the value of all property is still regulated by it. The legal-tender act compels the people of the United States to treat the greenback dollar as if it were a dollar in fact; but except in payment of debts it is not one; it has not the purchasing power of one. Its value has been forty-five cents; it is now ninety. A year hence it may be ninety-five, or it may be—no man can tell what. It is the paper and not the gold dollar that fluctuates, and is, therefore, an uncertain and dangerous standard. Can it, then, be doubted that it is the duty of Congress so to legislate as to make as soon as practicable the paper dollar, of which it authorizes the issue, equal to the gold one?

The question then arises, What legislation is required to effect this most desirable result?

Our new Secretary is a gentleman of ability, and he belongs to a State in which good financial seed was sown at an early day, as has been proved by her high financial credit and the soundness of her banking institutions. I know not what his views are, but he would not be a true scion of Kentucky stock if he were unsound upon the financial question. If the management of our finances were in his hands, I for one should be willing to take him upon trust, not doubting that he would pursue the right course to relieve the country from the burden—for such it is—of an irredeemable currency.

But such is not the fact. His hands are tied. Congress is to determine what shall be our financial policy, and this determination may depend upon the result of the approaching elections.

As parties now stand the financial question cannot be made a strictly party question; nor will it be, as at the latter part of the late session it was feared might be the case, a sectional one. It is a question upon which there will be a difference of opinion among men of the same party and the same State. That there should be speedy legislation and a definite policy established everybody who is not a gambler in business admits and desires. Nothing but further inflation can be worse than uncertainty upon a matter so important to the well-being of the country as the currency. It is for these reasons that I feel at liberty to give my opinion upon the financial legislation that is required. I state my views frankly, not as presenting the only way, but as what seems to me the most certain and direct way of returning to specie payments. If a wiser plan shall be adopted no one will be more pleased than myself.

First. Congress should fix a period, say the 1st of December, 1876—the time is not material, if it be not remote—after which United States notes should cease to be legal tender.

Second. The Secretary of the Treasury should be authorized to retire by the use of the surplus revenue and, if this should be insufficient, by the sale of bonds,

at least \$50,000,000 of United States notes per annum until all have been retired, and he should be prohibited from re-issuing the notes thus retired under any pretext or circumstances whatever.

Third. In lieu of the United States notes retired, an equal amount of bank notes, if they should be required, should be issued to national banks.

Fourth. When the specie standard has been re-established by the repeal of the legal tender acts, banking should be made free and Congress should cease to interfere with the currency, except so far as may be necessary to prevent illegal issues and to provide that every dollar in circulation by authority of law shall be secured beyond a contingency, as is now the case, by a deposit of United States bonds in the Treasury.

It is obvious that as long as the United States notes are a legal tender the specie standard is not likely to be restored. These notes should be gradually retired, because until the volume is reduced they will not permanently improve in value, and because until the banks perceive that the reduction is actually taking place they will make no effort to supply themselves with coin for the protection of their own circulation. It is not likely that an issue of bank notes corresponding to the amount of the United States notes withdrawn will be required, as the value of both kinds of our paper money will be steadily increasing, and specie will be taking the place of paper as a reserve of the banks and ultimately as a circulation among the people. This will be a self-regulating matter. As the United States notes are retired the banks will fortify themselves with coin, so that when the time of coin redemption comes round they will be prepared to meet the calls which may be made upon them, which will not be large as the preparation for this state of things will have brought the business of the country into a healthy condition, and there will be little demand for coin for exportation.

Nor will this withdrawal of United States notes preparatory to a return to specie payments, nor the return itself, affect the value of property or disturb business. Some intelligent men, who are anxious to stand again upon solid ground, are apt to speak of the "shrinkage"

which must occur before this can be brought about, not reflecting that the real value of property is not affected by the standard by which it is estimated. Property is not dependent for its value upon a fiction. We speak of the price of gold, of its rise and fall, and some of us seem to think that we are richer as it rises and poorer as it falls; while its real value is permanent except so far as it is affected by the yield of the mines. In spite of the legal-tender acts it is to-day, and it must continue to be, the real measuring standard of property. There is no foundation, therefore, for the apprehension of a shrinkage in the value of property as a consequence of a return to specie payments, nor is there any more foundation for the apprehension that such a change in our financial policy will make money scarcer and times harder. As I have already said, money, whether it be gold or paper, goes where it is wanted.

The advocates in Congress of inflation or an increase of currency were chiefly from the Western States. How truly they reflected the sentiments of that section I cannot say, but I am sure that what is needed in the West is not so much more money as better money, and greater and cheaper means for the transportation of its products to the markets. There is no class of men who are so much injured by irredeemable paper money as the agriculturists. It is the farmer, especially, who is cheated by fictitious money. It is said, I know, that he pays his taxes with it and for what he needs to purchase, but is it not true also that it increases his taxes and adds largely to the cost of what he buys?

The cotton, sugar, and rice of the South, and the grain, beef, and pork of the West, are needed at home and by foreign nations, and they will always command money. The people who have them to dispose of must decide what kind of money it shall be—money in the form of broken promises, or gold and silver and convertible bank notes.

I have been for a long time absent from the country, but I am greatly deceived if the demand at the West for more currency does not come chiefly from those who have little or nothing to sell, and who would be consequently injured by a compliance with their demands.

There may be at present depression in the price of agricultural products, but this is not owing to a scarcity of money, but to a falling off in the demand for them. Consumption at home is less and the foreign demand is smaller than they have been. Many of our manufactories are idle, and the European markets are disturbed by our financial troubles. It is these causes, which are only temporary, and not scarcity of money, which occasion the depression which at present exists.

There has never been a time when the products of the West (I can speak advisedly of this section) have failed to bring what they were really worth, according to prices at the home and foreign markets, for want of money to pay for them, and there will never be. I know that these products have commanded at various times only extremely low prices, but this was owing to a lack of means of transportation or of a supply superior to the demand. The fact that nine out of ten of those who have been engaged in buying and shipping the products of the West to the seaboard, where prices are usually regulated by the European markets, have failed in business, is an evidence that these products have not been sacrificed or sold at home for less than their value by reason of a scarcity of money.

There need, then, be no apprehension on the part of the farmers of the West that they would be injured, or that there would be a scarcity of money, by reason of the withdrawal of the United States notes or a reduction of paper circulation. For ever dollar of depreciated currency withdrawn, they would have a dollar, in value at least, of convertible paper or of specie. What is true in regard to farmers is equally true in regard to manufacturers, merchants, and laborers.

My own deliberate opinion is that we shall never have really cheap money, as we can never have reliable money until the United States notes are stripped of their false character and retired from circulation and their place is supplied by specie and perfectly secured convertible bank notes. Specie will cease to flow out of the country as it now does, and will commence flowing in, as soon as we drive out of circulation the notes which have deprived it of its monetary character.

The product of our gold and silver mines leaves us because we have no use for it. As it is not a circulating medium, nor a basis for it, it would be a burden if it remained.

In regard to a substitution of bank notes for greenbacks, I have only to say that there ought not to be, and there will not long be, two kinds of paper money in circulation. One kind or the other will occupy the field. This I think inevitable. We shall get rid of the United States notes, or there will be an irresistible demand for more of them. I advocate the substitution of bank notes for United States notes, because the latter stand in the way of a return to specie.

The Government lacks the means and the machinery to keep in circulation a convertible currency of its own. To maintain such a currency the Treasury Department, or a department to be created for this purpose, would necessarily become a bank of issue. Such a bank would be as unsuited to our institutions as it would be deficient in the power to give flexibility to its issues, and secure a just and equal distribution of them throughout the country. For such an experiment the people are not prepared. As long as we have a legal-tender paper currency we shall have an inconvertible currency.

I advocate the substitution of bank notes for United States notes also, because I regard it of exceeding importance that the subject of the currency should be withdrawn from politics. Politicians are necessarily agitators; they cannot be otherwise. They need capital, and agitation is capital. That this capital should not be made by a perpetual interference with what affects every man's interest is an obvious truth. A Government currency, therefore, is not what is needed for a circulating medium. No political party should be intrusted with the power of making money, or what is called money, scarce or plenty at pleasure.

Let the United States notes be retired; let the restraints upon bank circulation be removed; let banking be free and the business of banking be managed by those who embark in it; let the circulation of banks, secured by the bonds of the Government, be regulated by their ability to redeem and by the requirements of

the country, and we shall have that freedom from political interference, and that flexible, yet stable, because convertible, currency which is needed to stimulate enterprise and to secure to labor its proper reward.

The loss that the people would sustain in the matter of interest, by the withdrawal of United States notes, if this loss should not be made up by the taxes assessed upon the banks and the facilities which they render to business, would be small in comparison with what would be gained by the withdrawal of the currency question from the arena of politics. I am no advocate of banks. If they did not exist I might regard the creation of them a question of doubtful expediency, but they are so interwoven with our financial interests that they could not be destroyed without a financial revolution. And it must be borne in mind, in considering our banking system, that it is a very different one from that which it superceded, inasmuch as it gives to the people a circulation of uniform values and unquestionable solvency. It is undoubtedly the best system now in existence, and it should be sustained until a better one is devised or until the country is prepared to do without banks altogether.

In what I have said in regard to the United States notes, I must not be understood as reflecting upon the financial minister who advocated or the Congress who authorized the issue.

In regard to the wisdom of this measure, there are now, as there were then, differences of opinion; but, admitting that this was not a wise measure, the advocacy of it ought not to detract from the great merit of Mr. Chase, to whose administration of the Treasury the successful termination of the war is very largely to be attributed. If Mr. Chase lacked financial training and experience, he possessed what was better in the trying circumstances in which he was placed—courage, nerve, faith; great victories in the field are but seldom won by a strict adherence to the scientific rules of war; great commanders are seldom found in distinguished military engineers. The same is true in great financial contests, and the contest between the Government and the Southern States was as much a contest of dollars as of arms.

If the Government had broken down financially the rebellion would not have been suppressed. That it did not break down was largely owing to the qualifications of Mr. Chase for the position he held. He undoubtedly made mistakes; there is cause for wonder that he did not make more. I do not believe there was another man in the Union who would have made less.

PENDLETON'S ISSUE IN INDIANA.

There is another subject to which I should not allude if there was not a "plank in the platform" adopted by the recent Democratic Convention at Indianapolis in favor of the payment of the five-twenty bonds in greenbacks. Although it is known that party platforms are usually made to be disregarded and "spit upon," the expression of such a sentiment by an intelligent and highly respectable body of men, claiming to represent a great political party, whose record upon financial questions has been most creditable, is calculated to mislead well-meaning people, if not to damage the national credit. This subject is rapidly losing its interest in a pecuniary point of view by the fact that the five-twenties are being rapidly converted into five-per-cents, which, in order to prevent any question in regard to the currency in which they are to be paid, are upon their faces made payable in coin.

Still, presented as it has been for the consideration of the voters of Indiana, it is not without importance. I feel it to be important because it affects the good name of my own State. That such a proposition should be revived by men claiming to represent Democracy, indicates a want of political sagacity on their part, and an abandonment by them of principles to which the Democratic party, in the palmy days of its greatness and power, conscientiously adhered, and which it must again avow and adhere to if it is to become the party of the future, as it has been of the past.

If this resolution of the convention truly expresses or reflects the sentiments of the Democracy of Indiana, it is hoped that the spirits of Jefferson and Jackson, of Benton and Wright, and the host of other Democratic worthies whose fame is the nation's pride, do not witness the apostasy of those who claim to be their followers.

That the five-twenty bonds should not and cannot be paid in depreciated greenbacks, is evident for the following reasons :

First. These bonds are national obligations, intended to be circulated and held in foreign countries as well as in the United States, and all such obligations are always understood to be payable in the currency which alone is recognized as money by the common consent of the great family of nations.

Second. They cannot be so paid, because it could not be done without increasing the issue of the legal-tender notes beyond \$400,000,000, and a large portion of these bonds were issued after the faith of the Government had been pledged by act of Congress that this should be the limit ; and because Congress by a special act of 1869 declared that these bonds are payable in coin.

Third. 'Because it was the express understanding between the Government and the people when these bonds were issued that the principal as well as the interest should be paid in coin.

The language of the resolution, "We are in favor of the redemption of the five-twenty bonds in greenbacks, according to the law under which they were issued," if not positively untrue, is calculated to mislead. That these bonds should be paid in greenbacks is not in accordance with the law under which they were issued ; the reverse is the fact. It is true that the law does not expressly state that they are payable in coin, but it is provided that the interest shall be so paid. If it is silent in regard to the principal, it is because no one at that time regarded the United States notes as anything else than a temporary currency, which was to be redeemed or retired by conversion into bonds long before the bonds, by their terms, would be brought under control of the Government. By every member of the House and of the Senate who participated in the debate when the issue of these bonds was under consideration, and who, in terms, alluded to them, they were spoken of as gold bonds. Who, in fact, ever heard of a national obligation, the interest on which was payable in one kind of currency and the principal in another? And what would be thought of a people who should take advantage of

the technical construction of their own law, and compel the holders of their bonds to take in payment thereof their own dishonored and depreciated paper, notwithstanding their servants in the Treasury Department, their agents who solicited subscriptions, and the public press, with the full knowledge and approval of the law-making power, had represented the principal as well as the interest of the bonds to be payable in coin?

To do such an act the people of the United States would reach a depth of degradation and dishonor to which no nation has yet descended.

The statement of the proposition, stripped of all disguises, is enough to condemn it in the estimation of honorable men. It is not, I am sure, in harmony with the sentiments of a majority of the Democrats of Indiana. As a bid for votes, the resolution of the convention was a blunder, which in politics is worse than a crime. Morally and economically considered, as well as politically, if it was an expression of the intelligent sentiment of its members (which I apprehend it was not), it might justly be pronounced a crime and blunder combined.

THE TARIFF.

I have said so much upon the currency question that I have neither time nor space to dwell upon the question of the tariff. Nor is it necessary that I should, as it is a question which is being discussed by those who have given to it much more attention than I have and who understand it better.

I favor a revenue and not a protective tariff. The present tariff has been highly productive of revenue, and it is, therefore, contended that it is, in fact, a revenue tariff, and that inasmuch as a large portion of our revenues are to be derived from custom duties, the difference between a tariff for protection and a tariff for revenue must always be imaginary rather than real.

Now, while it is true that since 1862 the importations into the United States have been heavy, and the revenues from this source have been consequently large, it does not follow that the present tariff is in the proper meaning of the term a revenue tariff.

It was intended and framed to protect certain interests in the United States, and it has done, and is still doing, this, by preventing fair competition between home and foreign manufactures, thereby increasing to consumers the cost of many articles of common and indispensable use. It is true, also, that this, to some extent, must be the effect of any system of raising revenue by custom duties; and that free trade, desirable as it may be, is not likely to be adopted as long as large revenues are needed for the payment of the public debt and for defraying the expenses of the Government.

Indirect taxation, especially taxation upon imports, is undoubtedly the most expensive and demoralizing, if not the most unequal, mode of raising revenue that has ever been resorted to; and yet it is the most popular because it is not inquisitorial; it does not introduce the tax gatherer to the consumer, and it is felt only in the enhanced prices of the articles which are subject to it, the cause of which enhanced prices is not often considered. The policy of raising revenues by taxes upon imports is not to be abandoned, and it will not be possible, even if it were desirable, to frame laws which will yield such revenues as will be required from this source, without giving to home industry liberal protection.

Now, what I think the people should earnestly and persistently contend for is a tariff in which revenue should be the object and not the incident. Let a commission fairly representing the different sections of the country be appointed by Congress to prepare a bill, the aim of which should be to raise the necessary revenues from the smallest possible number of articles, discarding the policy of protection, and which should be so clear in its provisions and language that common people could understand it. I suggest that such a bill should be prepared by a commission, because it seems to me to be the only means by which an intelligible, symmetrical and consistent bill can be procured.

As long as tariff bills are prepared by committees that do not command the confidence of the House in a sufficient degree to insure their passage through that body without important alterations, and such bills are subject

to further alterations by the Senate, and receive their final touches from committees of conference, amid the haste and confusion which distinguish the closing hours of the session, we shall have inconsistent patchwork, difficult to understand and fruitful of fraud and litigation, instead of symmetrical, consistent, and intelligible laws.

It is true that the work of a commission would be subject to the same ordeal as would the reports of the Ways and Means and Finance Committees; but as the commission would be selected for the single purpose of preparing a tariff, it would be more likely to fairly represent the different sections of the country than a committee. It would have more time for the preparation of a bill than a committee, and if composed, as it ought to be, of able and upright men—not partisans nor the representatives of particular interests—I believe such a commission could prepare a bill that would be carried through both houses without change.

It cannot be denied, I apprehend, that by the present tariff both the revenues and the people are badly cheated; that it is in regard to some articles prohibitory; that it increases the cost of many things without yielding revenue enough therefrom to cover the expense of collecting it, thereby profiting home manufacturers to the amount of that increased cost, without benefiting the Government; that by the heavy duties upon some kinds of raw material, it has rendered unprofitable and gradually destroyed industries that before the war were prosperous and profitable; and, finally, that it is difficult of interpretation, and in some points inconsistent, thus opening the door to fraud, if not inviting it, on the part of importers, and giving opportunity for oppression and dishonest practices to the officers of the customs.

Whether the protective principle be retained or not, there is no question that the present tariff should be subjected to a thorough revision, and I believe that this will only be done in the manner in which it ought to be done through the agency of a commission.

The policy of protection should, in my judgment, be abandoned, because it favors by direct legislation particular interests; because it induces the manufacturer

to rely upon the Government, in a contest with foreign competitors, instead of cultivating skill, economy, and a spirit of self-reliance, which are so important for success in all branches of business ; because as we cannot sell liberally unless we buy liberally, it diminishes the foreign demand for our agricultural and other products, and consequently lessens the price of them ; because it is inconsistent with the spirit of the age, which demands that all unnecessary obstacles in the way of the freest exchange of products between nations should be removed, and because its end, if not its aim, is to enrich the few at the expense of the many.

In its essential character a protective tariff is barbarism. Such a tariff may be defended for a time, like our irredeemable currency, on the ground of necessity, but not as a permanent national policy. I am not prepared to say that there have not been periods in the history of our manufacturers when protection was necessary in order that inducements might be offered to capitalists to engage in them and that labor might be properly educated ; but such periods have passed by. Our manufacturing interests, long fostered by the Government, no longer need protection against foreign capital and skill. If they were not able in their infancy to stand alone, they are able now ; but even this they will not be required to do, as they will have the advantage over their foreign rivals which duties for revenue and the cost of transportation afford. That this will be sufficient not only to enable them to continue business, if economically conducted, but to make handsome profits there can be little doubt. If there be any kind of manufacturing in the United States that cannot live with such advantages as a judicious revenue tariff and the cost of transportation from other countries will give to it, it is very clear that it is unfitted to the country or to the habits of the people, and that it ought not to be encouraged. I have so high an opinion of the faculty of my countrymen in the invention and use of machinery that I am satisfied there is no branch of manufactures suited to the country which has prospered under existing laws, which would not continue to prosper even under a system of absolutely free trade.

It is very certain that under a wise tariff many new industries would come into existence, and others which have died out or are languishing under existing laws would be restored to life and quickened into prosperous activity. I have time to mention but a single instance. Iron ships can even now be built about as cheaply in the United States as they can be in Europe. With a reduction of duties upon the materials which are used in their construction, they could be built cheaper. So that the great shipyards for building iron ships, not only for the United States, but for other nations, would be found at no distant day on the Delaware instead of the Clyde.

The State of Pennsylvania—an empire of itself—clings to protection as if her prosperity depended upon it; but she will never know how great her resources and power are, nor what her people are capable of accomplishing, until she ceases to look to the Government to protect her industries and learn to rely upon herself. There is no more reason why she should ask the Government to protect her iron manufacturers against foreign competitors than against the competition of Missouri, Virginia, and Tennessee.

The plea that American labor must be protected against what is called the "pauper labor" of Europe is, if I may use the expression, played out. Pauper labor in the factories and furnaces of Europe is a myth. Skilled labor is in as good demand and is as costly, estimating the difference in the cost of living, on the other side of the Atlantic as on this. If it were not so, the difference would be more than equalized by our superior machinery and our superior cleverness in the use of it. We have in the United States the best cotton mills in the world, with all the capital that is needed to run them, and we are producing better cotton than can be grown elsewhere. Is it possible that the cotton spinners of New England need protection against the cotton spinners of Great Britain?

We have iron literally cropping out of the earth—mountains of it in fact—of the best quality, and coal for smelting and manufacturing it in its immediate vicinity. In Great Britain iron is only found hundreds, if not thousands, of feet below the surface, a large portion of

which has to be transported at great expense to the coal districts to be manufactured, and at still greater expense, when manufactured, to the markets of the United States. Do the iron makers of Tennessee, Missouri, and Pennsylvania need to be protected against competition from that quarter?

Coal, the producer of the great motive power of the world; coal, which is found in inexhaustible supply throughout the country, which is so indispensable in manufacturing, and in the older States is used by almost every family for fuel—should coal be increased in price by a tariff, which prevents the introduction of it from the Dominion of Canada?

Is it right that every family in the United States should pay an extra price for the salt it uses for the benefit of the few who are manufacturing it, and who can manufacture it as cheaply as it can be made in any other country?

These questions (and the number can be largely increased) are not new, but they lose none of their interest because they have been frequently asked. The present is a good time for the people to ponder them.

No protection laws were ever so ably defended as the Corn Law of England. No interest ever seemed to demand protection more than the agricultural interest of that country. It was proved, it was thought, as clearly as figures and arguments could prove anything, that free trade in corn would be a death-blow to the owners of landed property. What! abolish the scale and open the English ports to the cheap grain of the continent and the United States? The very suggestion of such a proposition by English reformers was regarded by land owners as evidence that the world was moving in the wrong direction, and that the crack-brained theorists were controlling it.

Now what was the effect of the repeal of the English Corn Laws? Low prices for lands? Neglect in the cultivation of them? Prostration of agricultural interests? The reverse were the facts. Land, instead of declining, advanced in value. The cultivation of it was at once improved, and the interest which it was feared was to be prostrated by free trade in breadstuffs speedily became

vastly more prosperous than ever. The English landholder who should now advocate the re-enactment of the Corn Laws would be considered a fit subject to be handed over to the surgeon to be operated upon for the "simples." The same will be true in regard to the protection laws now in force in the United States. It will, at no distant day, be as difficult to find a protectionist in this country as it is to find a land-holder in England who would acknowledge that he ever favored the Corn Laws.

The United States, with her rich soil, abounding resources, and intelligent people, will prosper, no matter what laws be upon the statute book. But she will never make the advance which she is capable of making in wealth, in morals and civilization until she has a sound currency and freer trade with foreign nations.

LETTERS
WRITTEN FOR
THE NEW YORK TRIBUNE.

LETTERS

WRITTEN FOR

THE NEW YORK TRIBUNE.

FIRST LETTER.

To the Editor of the Tribune:

SIR: Agreeably to your request, I will try to find time to send you an occasional letter upon the general subject of the finances of the United States, with more especial reference to the currency. Some years ago my views were pretty fully presented in my reports to Congress. Those which I then advanced have undergone no change; on the contrary, my convictions of their correctness have been confirmed and strengthened by reflection and observation. I have nothing new to say upon the subject now, but in writing in this way from this side of the Atlantic, as a private citizen, I may reach many who lack the time or the disposition to look into official documents or to read more elaborate articles. In this and the following letter I shall allude to the financial condition of France, as introductory to what I may have to say upon that of the United States. It is fortunate that financial questions, or at least the question of the currency, can be discussed without exciting partisan or sectional prejudice. Men may be influenced in their opinions of a tariff, of protection, free trade, and the like by local interests, but there can be no local interests in regard to the currency. A sound and stable circulating medium is the very "life-blood of a commercial nation." The question of the currency is a national question, in which all sections are equally interested, and with which party politics and local jealousies have nothing to do.

Few countries have ever been in a worse condition than France appeared to be in at the close of her late war with Germany. Her armies had been routed ; her Emperor had become a fugitive ; her strongholds, such as Strausbourg and Metz, had been captured ; Paris, starved into submission, had been captured. Some of her most fertile and populous districts had been so devastated that agents of contributors in Great Britain and the United States had been sent into them to supply their unfortunate inhabitants with food and clothing, farming implements, and seeds for the next year's crop ; and as if all these misfortunes had not filled her bitter cup, it had been filled to overflowing by a bloody contest—Frenchmen against Frenchmen—for the possession and control of Paris. Her beautiful capital had been again besieged, not by foreigners, but by her own people ; the monuments of her glory had been destroyed, not by the Germans, but by those who had shared in the national honor of the achievements which these monuments commemorated. By this civil war, so unnatural and so deplorable, the sympathy of other nations excited in her behalf, as defeat followed defeat in her contest with the Germans, had been turned into indifference, if not into disgust, and so helpless had she become that submission to the demands of the conquerer was her only alternative. What those demands were, the world knows—the cession of two of her beautiful and productive provinces and the payment of a thousand millions of dollars to indemnify Germany for the expenses of the war. Never before had a great and powerful nation been so speedily and thoroughly mastered ; rarely, if ever, had a brave and proud people been compelled to conclude hostilities with so disastrous results. With a Government provisional only ; with a demoralized people ; with an empty treasury, an immense debt, to be nearly doubled by the expenditures of a single year (including the indemnity), this great nation, hitherto one of the most powerful and influential in Europe, seemed to be on the verge of political and financial ruin.

Such was France as she appeared before the world some four years ago, and what is her condition to-day ? I allude not to her political condition—although in the

organization of a government on a republican basis she has surprised the world by her wisdom and prudence—but what is her financial condition? It is in most respects better than that of any nation in the world. Her waste places have been restored; her industries have been stimulated into unprecedented activity; her exports largely exceeding her imports, have made her a great creditor nation, so that gold has been steadily drawn to her from England, from the United States, and even from Germany, until the Bank of France holds in its strong rooms the enormous sum of three hundred millions of coin and bullion, and its notes, although not absolutely convertible, are only at the tenth of one per cent. discount. If her prostration was astonishing by its suddenness and completeness, her recuperative power seems still more astonishing. It is undeniable that no country in Europe has been so prosperous as France has been during the two past years. In no other country has labor been so well rewarded. In none has there been so little monetary or commercial disturbance. It is an anomaly in the financial history of nations that the conquering nation to which an enormous indemnity has been paid, has been from the beginning of the payment of the instalments subject to greater financial disorder and embarrassment than the nation from which the indemnity was exacted. It is true that this indemnity was paid with borrowed money, but it is also true that the French people were largely the lenders, and that the securities which were subscribed for by the citizens of other States have been steadily going back to France, so that the French debt, the largest in the world (more than twice as large as that of the United States), is literally a home debt. Here let me remark, that this enormous indemnity of a thousand millions of dollars was paid by France to Germany in less than two years, with scarcely any disturbance to the money markets of other nations, contrary to the prediction of some of the most eminent of European financiers. It did not seem possible that so great a displacement of capital could take place without considerable disturbance of international exchanges. That this transfer was effected within so short a period without producing the antici-

pated trouble is an evidence not only of the wisdom of the French financiers by whom the great feat was accomplished, but also of the prodigious capital now in active employment among commercial nations. If Germany had not at the same time undertaken to substitute a gold circulating medium for silver and paper, the transfer would have been effected without producing a ripple in the current of international exchanges. Now, the question arises, and it is a question of especial interest to the people of the United States, By what means has France been able to retrieve her credit and recover from her misfortunes? What is the secret of her recuperative power? This question will be briefly considered in my next letter.

LONDON, *April 3, 1875.*

SECOND LETTER.

To the Editor of the Tribune :

SIR: In concluding my former letter I suggested the inquiry, By what means has France been able to recover from the misfortunes of the Franco-German war? What is the explanation of her recuperative power?

In considering this question it must be conceded that France was not at the conclusion of her contest with Germany a poor country, she was only ostensibly so. Notwithstanding the immense drain of men and money to which she has been for centuries subjected by the exhausting wars in which she has been engaged, she has always been the richest of cotinental nations. It will be recollected that in the old wars between France and England, French gold was frequently more potent than French arms, and that, in many instances, money accomplished what valor and diplomacy had failed to achieve. Within the last thirty or forty years Great Britain, by her extensive commerce, her colonial trade, and her manufactures, may have taken the lead in wealth; but even this is a mooted question. France has been frequently impoverished by war and bad government, but she never could have been considered

bankrupt, except at the time she substituted paper for gold, and attempted to make the incontrovertible assignat the equivalent of coin, an experiment so disastrous in its results that it is not likely to be repeated on this side the Atlantic. Many causes may be assigned for the wealth which France has been found to possess in all great emergencies, among which are the following :

The French people are an eminently economical and thrifty people. A French family can live, and live well, on less than would be considered sufficient to save from starvation an American family of the same numbers. An intelligent Bostonian, who had spent some years in France, said to me last summer, in speaking of the economical habits and skill in cookery of the French people, that "a French village of a thousand inhabitants could be supported luxuriously on the waste of one of our large American hotels." The remark was not far from the truth. If the art of cookery were understood and practiced in the United States as it is in France—if our people knew as well how to make the most of their provisions as the French do—the cost of living, as far as food is regarded, in most of the States would be reduced more than 50 per cent. Domestic economy, as a rule, is neither practiced nor understood by Americans as it is in France. It may not be too much to say that the entire population of France could be supported on food which is literally wasted in the United States. The number of people who live beyond their incomes is less, and the number of those whose incomes exceed their expenditures is greater in France in proportion to population than in any other country.

Then, again, the French are beyond all others a hoarding people. There are few artisans in the cities or peasants in the agricultural districts who do not keep a reserve of coin in their own custody. There has always been more gold hoarded in France than in all other European countries combined. It is true that the nation, according to the recognized principles of political economy, has been the loser by having so much money lying idle, instead of performing its proper office as a circulating medium, but the common people of

France have a political economy of their own. They hoard their earnings, parting with them only under pressing necessities, or in exchange for their own public securities, in which, and in which only, the masses have confidence, so that there has always been in France an enormous amount of gold and silver which the Government could reach—in recent years by the offer of attractive loans to popular subscriptions; in former years by measures, the justice of which it is not now worth while to consider. This habit of hoarding is of course not to be commended, but it is by no means certain that France, in the circumstances in which she has been placed, has not, on the whole, been the gainer by it.

It is very clear—and the foregoing remarks are to some extent an explanation of the fact—that France was not so destitute as she appeared to be when Great Britain and the United States so promptly and generously responded to the call for help which came up from her devastated provinces. Many thousands, if not millions, of francs have gone from these very provinces, since that time, as subscriptions to Government and municipal loans, and if the truth could be revealed it would be discovered that not a few to whom relief was extended kept back a part, at least, of their little reserves against still more pressing emergencies. But although France, at the close of the Franco-German war, was not in the condition she was supposed to be in by those who were unacquainted with the habits and character of her people, her condition was, in fact, a most critical one, and one that required in the management of her finances the greatest prudence and practical skill. Fortunately for the welfare of the nation, the wisdom and skill which the emergency required were not wanting. So wisely and skilfully have her finances been managed, and so rapidly has the country recovered from its recent prostration, that not only has the indemnity been paid without disturbing the money markets of other nations, and the exchanges become so favorable as to supply the Bank of France with the coin necessary to enable it to resume specie payments, which is speedily to take place—not only has this been accomplished, but French capitalists, in the absence from the markets

of French securities, are seeking for investment the securities of other nations. Paris has for some time been a liberal buyer in the London market of foreign bonds, and as order after order is filled, one constantly hears from the dealers the expression of amazement that a country which, less than four years ago, seemed to be upon the high road to bankruptcy, should be exhibiting such practical evidences of wealth. The explanation has partially been given. Let us look a little further :

1. The French are not only an economical and hoarding people, but they are exceptionally industrious. In the manufacturing as well as in the agricultural districts, all the members of the families of the industrial classes, young and old, have some employment by which money is earned. Their separate earnings may be small, but all contribute something to the common fund, so that the end of the year finds the family reserve larger than it was at the beginning.

2. They are eminently skilful and tasteful. The raw materials, which are the basis of articles of taste and elegance, acquire in the hands of French artisans greater value than in the hands of the artisans of any other nation. The manufactures of France are varied and extensive, and being uninterrupted by "strikes," her capacity to produce seems to be almost unlimited. French goods are found among all nations, and there is a constantly increasing demand for them at remunerative prices. In everything appertaining to personal adornment France leads the world. The palm may be yielded reluctantly, but all nations do admit the superiority of French taste and of French manufactures in all matters of dress. "I should like to see," says "H. H." in her charming "Bits of Travel," "I should like to see the woman who could go through Paris without buying a new gown." It would be difficult to find a tasteful woman anywhere who does not approve of the latest style from Paris. The tribute which other nations pay to the ingenuity of French artisans in the manufacture of dress goods, and the making up of dresses, is exceedingly large. Even in England, so different in the character of her people, not only has French cookery superseded the English, but French taste is everything

appertaining to wearing apparel is the standard of fashion.

3. France has a fine climate and an excellent soil, and her lands, which have been cultivated for centuries, instead of being exhausted by a vicious system of husbandry, or yielding less than formerly by unskilful tillage, as is unfortunately the case in many parts of the United States, are now more productive than they ever were before, while the division into small ownerships, the result of the French law of inheritance, increases every year the acreage under cultivation. Notwithstanding her large population to be fed upon what her soil produces—a population of some 35,000,000 upon a territory much smaller than Texas—she is a large exporter of various kinds of agricultural products. As a purely agricultural country, she is undoubtedly the first in Europe; in manufactures, second only to Great Britain.

But, notwithstanding the economy, the industry, the skill, the general thrift of her people, and her great agricultural resources, together with the accumulations of former years, France would not have been able to pay the indemnity exacted by Germany and to recover, as she had done, from the disastrous effects of the war, had not the management of her finances and revenues been confided to the hands of able, experienced and upright men, and had not her own people and the capitalists of other nations relied implicitly upon her good faith. French statesmen have not been notable examples of political wisdom or conservatism, nor have the French people been especially trustworthy on questions of government; but no country has been more favored in the possession of really able financiers and political economists. Fortunately, also, for France, agitated and disturbed as she has been on political questions, the questions of finance and revenue, upon which the material interests of the nation largely depend, have been excluded from the political arena—will it not be a happy thing for our people when the same can be said of the United States?—so that the same general financial and economical policy has been pursued for years, notwithstanding the changes that have taken place in her forms

of government. The transitions from monarchy to democracy, from democracy to imperialism, from imperialism back to monarchy, from monarchy back to imperialism, and from imperialism to republicanism, have been anomalous and startling ; but during all these political changes the financial and revenue departments of the Government, except for the brief period when all landmarks were swept away, have been administered with singular steadiness and wisdom, and with a single eye to developing the resources of the nation, stimulating production and increasing foreign trade. Generally the revenue laws, although not frequently changed, have kept pace with the progressive spirit of the age, the tendency of which unquestionably is to give full play to international exchanges. In no previous period of her history have greater ability and firmness been displayed in the management of her finances and the imposition of taxes than during the last four years. The bank note circulation, temporarily increased beyond the convertible point, was to be brought up to the specie standard, both by a reduction of the volume and an increase of coin. The interest on the public debt, vastly augmented as it had been, was to be provided for, and this could only be done by an increase of taxation. In dealing with these questions there has been no resorts to expedients ; no shuffling, procrastinating policy has been pursued. What was necessary to be done to accomplish these objects was done well and promptly, and the wisdom of the policy which has been enforced has been vindicated by the results. All this, however, would not have saved France, by relieving her from the German armies, if there had been distrust in regard to her good faith. France, notwithstanding her great resources, was only saved by the confidence which money lenders at home and abroad had in her integrity. Some there may have been who doubted her ability to pay, but nobody distrusted her fidelity. In her darkest days there was no apprehension that she would ever repudiate her debts. If such an apprehension had existed, if any member of her Assembly or any person of prominence had expressed a doubt in regard to the maintenance of the national faith, either by failure in the imposition of

taxes or by an issue of paper money based, in the language of our inflationists, upon the "resources of the nation," and this doubt had obtained any considerable currency, the indemnity would not have been paid to this day. Never before did I understand and appreciate the importance and value of high national honor as I did in witnessing the success of the French indemnity loan. No people understand better than Frenchmen that nothing is more important to a nation than credit, nothing more dangerous than the loss of it. The idea of repudiation has no lodgment in the French mind, and this it was which made the indemnity loans a success, when failure would have been in the last degree disastrous. I should be happy if I could say that the same confidence exists in the obligations of the United States. Why it does not I will explain hereafter. The great mistake which France makes is in not reducing her governmental expenses in times of peace. This will be referred to in my next letter.

LONDON, *April 10, 1875.*

THIRD LETTER.

To the Editor of The Tribune:

SIR: The traditional policy of our country—if a nation that has not completed its hundredth year may be said to have a traditional policy—has been to commence the payment of its debt as soon as the necessity which created it had passed away. The United States was born in debt, but from the organization of the Government to the present day a national debt has been regarded by the people as a burden from which they should be relieved as rapidly as was possible. Twice since the colonies became a nation the Government has been virtually free from debt. At one period in its history not only was the national debt entirely extinguished, but there was so large an accumulation in the Treasury, arising almost exclusively from customs duties, that relief from the plethora could only be found by a distribution of the surplus revenue among the States. If the

debt incurred in the suppression of the rebellion was created with extraordinary rapidity, its reduction has been still more extraordinary. The debt of the United States on the 1st of September, 1865, was \$2,757,689,571, as exhibited by the books of the Treasury. This was not, however, the total amount of the debt. There were at that time large unadjusted claims against the War and Navy Departments, chiefly against the former, which were paid by these Departments out of their appropriations, and which have never appeared upon the Treasurer's books as a part of the national debt.

The actual debt adjusted and not adjusted at the close of the war, or rather at the disbanding of the Federal army, was not less than \$3,000,000,000. On the 1st of March last it was \$2,137,315,989, the reduction in nine-and-a-half years having been \$862,684,011, or at the rate of over \$90,000,000 per annum. Nothing like this, and nothing at all comparable to it, illustrates the financial history of any other nation. It is true that the example of the United States is not being generally followed by other nations, but this should not shake our confidence in the correctness of what I have called our traditional policy. It is more than likely that the reduction of the debt was for some years too rapid, but I am satisfied that no judicious taxation, the object of which is to reduce the public debt, and which does not affect injuriously the industrial interests of the country, will ever be regarded as burdensome by the people of the United States.

The Secretary of the Treasury, in his report of December, 1865, undoubtedly gave expression to the true sentiment of the people when he said :

The debt is large, but if kept at home, as it is desirable it should be, with a judicious system of taxation, it need not be oppressive. It is, however, a debt. While it is capital to the holders of the securities, it is still a national debt, and an incumbrance upon the national estate. Neither its advantages nor its burdens are or can be shared or borne equally by the people. Its influences are anti-republican. It adds to the power of the Executive by increasing Federal patronage. It must be distasteful to the people, because it fills the country with informers and tax-gatherers. It is dangerous to the public virtue, because it involves the collection and disbursement of large sums of money and renders rigid national economy almost im-

practicable. It is, in a word, a national burden, and the work of removing it, no matter how desirable it may be for individual investment, should not be postponed. As all true men desire to leave to their heirs unincumbered estates, so should it be the ambition of the people of the United States to relieve their descendants from this national mortgage. We need not be anxious that future generations should share the burdens with us. Wars are not at an end, and posterity will have enough to do to take care of the debts of their own creating.

And when he further said in his report of 1867 :

Old debts are hard to pay ; the longer they are continued the more odious do they become. If the present generation should throw the burden of this debt upon the next, it will be quite likely to be handed down from one generation to another, a perpetual, if not a constantly increasing, burden upon the people. Our country is full of enterprise and resources. With a proper reduction in the expenses of the Government, and with a revenue system adapted to the industry of the country, and not oppressing it, the debt may be paid before the expiration of the present century. The wisdom of a policy which shall bring about such a result is vindicated in advance by the history of nations whose people are burdened with inherited debts and with no prospect of relief for themselves or their posterity.

It is to be hoped that nothing will occur to change the policy of the Government inaugurated at its birth and steadily continued to the present time. Admitting even that it may be neither needful nor desirable that the national debt should be entirely extinguished ; that a certain amount of Government securities will always be required to secure the circulation of the national banks, for public and private trusts, etc., etc., it will be some years before the debt will be so reduced as to render it necessary to inquire what amount of public securities will be needed for these purposes, and whether or not the point has been reached below which the reduction should not be carried.

But while it has always been the policy of the United States to commence the reduction of the public debt as soon as the exigency which brought it into existence had ceased, a different policy has been pursued and still prevails among most other nations. Germany is quite free from debt ; Belgium and Holland are rapidly reducing their debts, and Great Britain is moving slowly (it is a wonder that so wise a nation should move so

slowly) in the same direction. Other nations, instead of reducing, are increasing their indebtedness, and most of them will doubtless continue to do so as long as they can borrow. Until the system of funding was introduced by the Italian States, the ability of nations to borrow was limited, and national debts were kept within reasonable bounds. Since the introduction of this system, which is likely to prove to be highly injurious to the States that borrow, if not to their creditors, national debts have reached an enormous sum—a sum which can hardly be expressed in comprehensible figures. The aggregate of these debts, exclusive of those of counties, cities, towns, etc., etc., is upward of twenty thousand millions of dollars, four-fifths of which have been contracted within the present century, and this amount, vast and almost inconceivable as it is, is being steadily increased. The apprehension, however, which the contemplation of this aggregate of national indebtedness naturally produces is to some extent allayed by the fact that in some—perhaps in most of the heavily indebted nations—the increase of income has kept pace with the increase of debt; in a few instances it has largely exceeded it. Thus the burden of the debt of Great Britain, that is to say, the percentage of charge upon the national income, is less than one-third of what it was sixty years ago, and so rapidly has the income of France increased that, notwithstanding her vastly augmented debt, the annual charge to income is not greater than when her debt was less than one-third of what it is at present. Still the practice of borrowing by nations, especially in times of peace, is a vicious and dangerous one, as there seems to be no reasonable limit to it. So great have been the accumulations of individual wealth within the present century, particularly within the last twenty-five years, and so numerous is the class having money to invest, that there has been a steady and constantly increasing demand for desirable securities, and national obligations have been and still are regarded as being of this character. This it is that enables nations to borrow, and from the ability to borrow arises the temptation. It is more convenient for nations to obtain money for the supply of their wants by loans than by taxation, and

wants arise when they can be supplied in this way, which otherwise would not exist; so all nations, or nearly all nations, have become borrowers, some for one purpose and some for another; some for war expenses; some for the support of extravagant governments; some for internal improvements, and not a few, it is to be feared, for the payment of the interest on their existing debts—rich nations at low rates, poor nations at high rates of interest. Borrowing, indeed, seems to be an indication, if it has not become a test, of advancing civilization. Japan has been twice a borrower in London, and it is understood to be the intention of China to follow the contagious example of her more enterprising neighbor.

I have heard it intimated that the existence of some States only became known to the majority of English investors by the appearance of their loans on the market. Very little certainly could have been known of the geography, population, or resources of some of those States, or their credit would hardly have been so good as it has been. Honduras, containing a mixed population of between 300,000 and 400,000, and Costa Rica less than half that number, with small resources, and those quite undeveloped, have been, to the sorrow of the present holders of their securities, liberal borrowers in London. These may be exceptional cases, but they illustrate what I have said in regard to the facility with which nations have been able to borrow.

LONDON, *April 19, 1875.*

NOTE.—In speaking of the ignorance that has prevailed among investors in regard to the geography of some of the borrowing States, I am reminded of an anecdote related to me a year or two ago by a friend, who was asked by a woman not destitute of intelligence, who had been informed that he was an American from New York, if he knew her brother (mentioning his name), who had gone to live in America. My friend replied that he feared he had not the honor of her brother's acquaintance, and inquired the name of the place at which the brother was living. She said she had forgotten the name of the place, but she was quite sure that it must be near New York. Then, after reflecting a moment, she exclaimed: "O, now I recollect it. It was Venezuela." One ought not to be surprised at the ignorance of this good woman of the map of the western hemisphere, when he finds in a "geography" which is in common use, or which was in common use four years ago in the London schools, Sitka included among the enumerated half-dozen chief cities in the United States.

FOURTH LETTER.

To the Editor of The Tribune :

SIR: In a previous letter I spoke of the debt of France as being larger than that of any other nation. It has been stated by high authority that the exact amount of the debt of France is unknown. It is very certain that no intelligible statement has been published giving the precise character and extent of her indebtedness. It is currently reported that not long ago the French Ministry of Finance remarked that "there was not a single man in France who could tell the exact state of the national debt." Enough is known, however, to justify the statement that it is not only in its charge upon the State by the higher interest it bears, but also in nominal amount, considerably larger than the debt of Great Britain; and it is interesting to notice with what rapidity and under what circumstances it has grown to its present magnitude. Omitting all reference to its increase and fluctuations in earlier years, we find that at the close of the First Empire, as Napoleon made heavy requisitions upon the States which he had vanquished, it amounted only to \$350,000,000. While the restored Bourbons were in power it was doubled. During the Orleans reign it was considerably increased, and in 1848, at the commencement of the Second Republic, it had risen to \$900,000,000. The Republic added \$300,000,000 to it, and the Second Empire some \$1,500,000,000 more. At the outbreak of the Franco-German war it amounted to \$2,700,000,000, and by the expenses of that war and the payment of the indemnity it was raised, including all classes of indebtedness, to an amount more than equal to twice the present debt of the United States.

It will be noticed that a large part of this increase was during the existence of the Second Empire, when France was engaged in no very expensive wars, and when the country was in a condition of unexampled prosperity. Even in years of profound peace, when the national income was increasing with amazing rapidity, the national debt was increasing with almost equal rapidity. Deficits were constantly occurring at times when the Treasury receipts ought to have been largely in excess

of the public expenditures. To an American who thoroughly approves the American policy it seems utterly astounding that France, whose finances in other respects have been managed with singular ability, should have permitted her debt to grow as it had grown, when no uncontrollable causes for extraordinary expenses existed, and when the general condition of the country was unusually prosperous. The explanation can only be found in the fact that France when not engaged in war has been, as she is now, preparing for war, and that all her previous existing Governments, whether monarchical, imperial, or republican, have lacked the nerve to raise by taxation the revenues which have been required to cover necessary and unnecessary expenditures. The present Government has made a good start in the right direction; whether or not it has the stamina to stand up against the unpopularity which high taxes are sure to produce, remains to be seen.

The standing army has been at the bottom of all the financial troubles in France, and it is her standing army and the standing armies of other countries that menace the peace of Europe. It is an absurd supposition that these large and steadily increasing armies are necessary to preserve the peace. Nations are subject to the same influence as are the individuals that compose them. Everybody knows that it is the armed man who is the dangerous and aggressive man, and that in all communities in which arms are carried the law is constantly violated, if, indeed, violence does not become superior to law. It is the increasing armies of the leading military powers of Europe which make the public mind here and elsewhere sensitive and apprehensive. These armies are not created for the preservation of the peace; they are the preparations for war; they mean war, and nothing else. Germany, the great military power of Europe, not only maintains a very large and thoroughly drilled regular army, but she has enrolled all her able-bodied men, of all classes and conditions, in what may be called a well-trained militia. France is attempting the same thing; and is it to be supposed that Germany will wait until France considers herself strong enough to assume the offensive before she strikes again at her old

enemy? Is France arming without the intention of attempting the recovery of the provinces she has recently lost? Are Russia and Austria increasing their armies simply to protect their own territories from invasion? The large and increasing armies of continental nations are not only menacing the peace of Europe, but they are oppressing the people with taxes, and checking the growth of nations by withdrawing millions of men from productive industry. Were the armies which are now in preparation for war disbanded, there would be no breaches of peace between nations, and there would eventually be no national debts. A period of peace is especially needed by France, and she would have that peace if she disbanded her army. "The Empire is peace," was the remark of the Third Napoleon. What a blessing it would be to France, and to civilization everywhere, if she would now say, "The Republic is peace," and verify the saying by following the example set by the United States at the close of the late civil war. If she should do so she would shame every European nation into doing the same. France is a rich country, but there is a limit to her wealth. She has high financial credit, but there must be eventually an end of her ability to borrow. United Germany, unless her strength should be distracted by ecclesiastical questions, which is not probable—for when the test is applied it will be found that Catholic Germans are more German than Catholic—United Germany, with her freedom from debt and her full military chest, her larger population, and the greater submission to discipline of her citizen soldiers, will always be more than a match for France in war. France, indeed, has everything to lose and nothing to gain by another contest with Germany. As a military nation she is not equal to Germany, but she is superior to Germany in the excellence of her soil, the variety of its productions, and in the taste, the skill, and refinement of her people. The aim of France should be to excel all nations in the arts of peace. This she now does to a great extent, and she would do so in a still greater degree if she would forget her triumphs under the great Corsican, and get over the delusion which she indulges that she must become again the great war power of Europe.

An American on this side of the Atlantic finds that there is much to be learned from the older nations, but he sees nothing to lessen his regard for his own country, or to shake his belief that a magnificent future is before it ; and there is nothing he refers to with more gratification and pride than the facts that the United States has no standing army and is paying its debt.

LONDON, *April 19, 1875.*

FIFTH LETTER.

To the Editor of The Tribune :

SIR : Absence from London and other engagements have prevented me from continuing for some weeks past my correspondence with the *Tribune*. In my previous letters I have alluded to such facts in regard to the financial condition of France, the habits and characteristics of her people, the merits and faults of her Government, as I have thought might be interesting to your readers, and perhaps worthy of their consideration in the existing circumstances of the United States. In this letter I shall speak of our national credit.

The credit of the United States, as a nation, ought to be, and but for the facts to which I shall allude would be, equal, if not superior, to that of any other nation. The United States is not rich in accumulated wealth ; no young nation can be. The wealth of the nations of the Old World is the result of long years of industry and economy, stimulated and protected by wise laws and good governments, or of a patient and persistent thrift that has created wealth in spite of unwise laws and bad governments. The United States is not a rich nation, but she possesses the means of becoming so, and she will in time become the richest nation in the world. Many a hard lesson must, however, be learned by the people from experience, the severest and most thorough of all teachers, before this will be accomplished. But although the United States is not rich in accumulated wealth, there are the best of reasons why the national credit should be exceptionally high. I will briefly state

them, and then refer to the causes which have prevented it from being so :

First. The United States is more rapidly increasing in population than any other country, and her inhabitants are not excelled, if they are equaled, in energy, inventive talent, intelligence and personal independence.

Secondly. There is no country possessing a more excellent soil ; none so rich in minerals ; none that can successfully compete with her in the production of articles of prime necessity.

Thirdly. Notwithstanding a somewhat free expenditure of the public money, the Government of the United States, burdened by no standing army or expensive navy, is, in comparison with that of other great nations, economically administered.

Fourthly. The traditional policy of steadily reducing the public debt is being persistently adhered to, under circumstances which render this almost exceptional national policy in the highest degree creditable.

Regarding the United States in these particulars alone, the conclusion would be irresistible that the national credit ought to be of the very highest character. That it is not is attributable mainly to two causes :

First. To the default of the States.

Secondly. To the apprehension which exists in the minds of many capitalists and small investors (an apprehension that will never entirely cease as long as an unredeemable and depreciated currency is maintained by the Government) that the United States bonds may be called in and paid in legal tender notes.

In this letter I shall speak of the defaulting States. It is true that American credit has suffered by the failure of so many of our railroad companies as have within the last two years "gone by the board," entailing immense losses upon the holders of their bonds ; but these failures have had altogether less influence in shaking the confidence of men who look beyond the mere question of pecuniary loss, in American credit and American character, than the default of the States.

The Government of the United States is not only peculiar in its republican and somewhat democratic features, but in the fact that it embraces within itself

States with many of the powers and immunities of sovereignty. This feature of our complex system is only imperfectly understood by even intelligent foreigners—it is in fact understood only by the very few who have made the Constitution of the United States a study. To a large majority of investors it is utterly unintelligible. That a State should have the power to contract debts, be able to shield itself against prosecution for the non-fulfillment of its obligations by sovereignty, and at the same time be so situated as to avoid the responsibility to which it might be held by the laws of nations if it were independent, is so novel a feature in a national organization that it is not strange that it should not be readily comprehended; nor that repudiation or default by a State should affect injuriously the credit of the nation of which it forms a part.

“Why should a nation be trustworthy when the States that compose it have shown themselves to be untrustworthy?” “What assurances have we that your Federal Government, as you call it, will, under all circumstances, be faithful to its obligations while so many of the States of which it is made up are unfaithful to theirs?”

Such are the questions which the holders of dishonored State obligations are apt to put to Americans when the credit of the Government is being discussed, and they are questions which are not easily answered to the satisfaction, at least, of the questioners. Now, as very few of the holders of these dishonored State obligations are disposed to invest in any kind of American securities, and as these holders are numerous and each has some friends whom he influences, it will be readily perceived how much smaller must be the number of purchasers of Government bonds than it would be if all the States had kept faith with their creditors. Omitting all mention of the States which are doing nothing, and which are not proposing to do anything toward paying their debts, I shall refer to two cases to which my attention has been called, in addition to that general discredit which attaches to nearly all the States by reason of their paying in currency the interest which ought to be paid in coin. The cases to which I shall especially refer are those of Indiana and Virginia.

Since I have been in London I have been frequently and painfully reminded of the fact—a fact that I had almost forgotten—that a considerable amount of the old internal improvement bonds of my own State are still outstanding. It is only a few days since an old gentleman called upon me with some United States railroad bonds which had matured, and which he desired to have cashed or forwarded for collection. “These,” said he, as he handed me the bonds, “when paid, will close my connection with the United States. I have been cheated out of one-half of what one State owes me, and I do not intend to be cheated again in the same quarter.” Inquiring by what State he had been cheated, my State pride was not especially gratified when he answered “by the State of Indiana.” He had purchased, some forty years ago, \$20,000 of Indiana bonds at par. After waiting for many years (the State having defaulted soon after the bonds were issued), he had received one-half the amount in new bonds, less his proportion of the expenses, to which the bondholders were subjected in their efforts to obtain a satisfactory recognition of their claims, and an interest in the Wabash and Erie Canal for the other half. A new generation has come upon the stage since Indiana compromised with her creditors, and it is likely that a majority of her citizens are quite unconscious of the fact that her credit was ever even impaired; if they are not, it is because the Legislature has been from time to time importuned to take back the canal and return to her creditors the amount which it represented when the compromise was effected. The bondholders or their descendants have not, however, forgotten it, and one cannot be long in London without hearing Indiana included among the defaulting States. The facts in regard to the default of the State and her compromise with her creditors are not definitely impressed upon my memory, but they were, I think, substantially these: In 1835 and 1836 the State, in common with many other States, undertook a vast scheme of internal improvements. Speculation was rife, money was abundant, the credit of the State was good, and she borrowed liberally. Very little progress had, however, been made in the construction of the works, which had begun in all parts of the State,

when the collapse of 1837 occurred, which put a sudden stop to all these enterprises, and also to the payment of the interest on the bonds which had been issued. For a number of years no payment was made to the bondholders. Various expedients were resorted to by the Legislature for the payment of what was called the "floating debt" of the State, but nothing was done toward the payment of interest on her bonds. In the meantime the bonds were sadly depreciated, and by many holders they were regarded as being virtually repudiated. Gradually the State recovered from her embarrassments, and some six or seven years after the default occurred, a strong pressure having been made upon the Legislature, a bill was passed by which the State agreed to issue new bonds for one-half the old ones, and for the other half, to transfer to trustees for the benefit of the bondholders the Wabash and Erie Canal, together with the lands which had been given by the Government for its construction which had not been sold, and the balance due on the lands which had been disposed of. This transfer of the canal and canal lands was subject to a condition that the canal, then completed from the Ohio line to Lafayette, should be extended to the Ohio River, the cost of which extension exhausted the lands and the cash balance due thereon, leaving to the bondholders the canal alone for one-half the amount due to them. The canal, never, in fact, a valuable property, became subsequently absolutely worthless by the construction of the Wabash Valley Railroad and other roads, which were built by the authority of the State. To this compromise the foreign bondholders may have been parties, but it was, they say, a compromise virtually forced upon them by the relations which existed between them and their debtor. The State was sovereign. It could not be sued in the courts. It was protected by the Federal Government from being in any manner held responsible by the nation whose citizens were the holders of its obligations. Her creditors must either accept what was tendered or, as it seemed to them, run the risk of losing their entire debt. The proposition was considered a fair one by the State, and it was generally accepted by the bondholders. There

are, however, I understand, some of her bondholders, who, being unwilling to avail themselves of the terms of the compromise, have never received anything on their bonds. Many years, as has been said, have elapsed since this compromise took place, and I do not undertake to state the facts in regard to it with precision. It is, indeed, about the only important fact in the history of Indiana which her sons cannot think of, as things have turned out, with satisfaction, and which they would be glad to forget. It is enough to say that a considerable amount of her bonds, for which she received full consideration, remain unpaid through no fault of their holders. Since she compromised with her creditors she has become prosperous and rich—one of the most prosperous and richest States in the Union. She could take up these obligations without adding perceptibly to the burden of her tax-payers. That the property transferred to the bondholders in payment of a part of their debt has become valueless, mainly by the construction of railroads which, built under the authority of the State, have added largely to her wealth, cannot be questioned. What ought to be done is very clear to my mind, but I am not in a situation to be an adviser. I am merely explaining why it is that our national credit is not so high as it ought to be.

LONDON, *June 2, 1875.*

SIXTH LETTER.

To the Editor of The Tribune :

SIR: Prior to 1861 the credit of no State in the Union was better in England than that of Virginia, and she had availed herself of that credit to a liberal extent for the construction of works which she was unable to construct without borrowing, and which were greatly needed for the development of her almost boundless resources. Relations of an especially cordial nature had always existed between the people of England and the people of Virginia. One part of what subsequently became the United States had been settled by the Puritans, another by the Dutch, another by the Quakers and

Germans ; here the Spaniards, and there the French had attempted to colonize ; Virginia alone was settled by the English, who named the colony in honor of England's maiden Queen. Virginia was especially an English colony, and up to the Revolution it was the "pet colony" of the English aristocracy. The Revolution, although it severed the political ties, did not sever the social ties that bound her to the Mother Country. The people of Virginia, in their habits and tastes, in their domestic economy, and even in their forms of religious worship, were pre-eminently English ; and although none of the colonists were more outspoken and eloquent in their denunciations of the aggressions of the throne than were her fearless and eloquent sons ; although no soldiers were braver or more determined and persistent in their resistance to British power than those which she sent to the field with Washington at their head, there has always existed a stronger attachment on the part of the ruling classes in England to Virginia than to any other State.

It was doubtless owing to this fact that large amounts of Virginia bonds were purchased by English investors. During the late civil war the payment of interest on her bonds was suspended, and as she was known to have been the great battle-field of the war, and to have been terribly devastated by both the Federal and Confederate armies, the English holders of her bonds waited patiently for a number of years for the resumption of interest payments. They knew that she was a great State, lying upon the ocean, penetrated by noble rivers, with a genial climate, and abundant natural resources ; but they knew also that her means had been wasted by the protracted war ; and relying upon her recuperative power and her faith, they hesitated for a long period to urge the payment of their claims. At length, when forbearance seemed no longer a duty, co-operating with other creditors, they asked that payment should be no longer delayed, and negotiations were entered into between the representatives of the bondholders and the representatives of the State, which resulted in the passage by the General Assembly of what is known as the Funding Act. By this act the officers of the State were

authorized to issue new bonds, the interest on which should be receivable for taxes for two-thirds of the principal and accrued interest of the old ones, and certificates for the other third. These certificates represented what was regarded by the General Assembly as the part of the State debt which ought in justice to be assumed by West Virginia, which had been carved out of the Old Dominion soon after the commencement of the war, but as the new State had declined to acknowledge any obligation to assume the payment of any portion of the State debt on the ground that no part of the public works, for the construction of which the debt had been contracted, was included within her boundaries, these certificates were considered both by Virginia and the creditors who were to receive them in satisfaction of one-third part of their claims as being of but little value.

This compromise, although not regarded with favor by a majority of English creditors, was nevertheless accepted by them as a definite settlement of their claims, and one which, under the circumstances, was not discreditable to the State. As soon as the provisions of the act and the ways and means of proceeding under it were understood, the work of forwarding their bonds for conversion, although it was attended with considerable trouble and expense, was commenced and continued by the holders until the next session of the General Assembly, when a considerable amount being in transitu, some two-thirds only of the bonds having been funded, that part of the Funding Act which authorized the issue of bonds, the coupons of which were to be receivable for taxes, was promptly repealed, and funding was virtually suspended. At the same time the officers of the State were prohibited from receiving in payment of taxes the coupons which upon their face were expressly made receivable for taxes, nor were they so received until after the courts of the State had decided that they were issued under a contract between the State and the bondholders which the Legislature had no right to rescind. The result is that the State has two classes of creditor bondholders instead of one, the larger class holding bonds the coupons of which are receivable for

taxes, but are not cashed at the Treasury; the smaller class holding bonds the coupons of which are not receivable for taxes, and on which nothing is being paid. Of course, all parties are dissatisfied. The State is dissatisfied because a part of her creditors stand on a different footing from the others; the holders of the tax-receivable coupons are dissatisfied because, as the coupons which they hold are only available to tax-payers, they are compelled to part with them at a heavy discount; the holders of the bonds the coupons of which are not receivable for taxes are not only dissatisfied, but they are indignant at the injustice to which they are being subjected in receiving nothing, while other creditors, more active and vigilant, perhaps, certainly more fortunate than themselves, are being partially paid. Virginia is in many important respects one of the most inviting States in the Union to the better class of English emigrants, but this class will be repelled from her borders so long as she fails to make a satisfactory arrangement with her dissatisfied creditors. Looking only to the question in a pecuniary point of view, aside entirely from the moral obligations which she is under to her creditors, Virginia is making a capital mistake in permitting her former good name to be thus tarnished in the house of her friends. No State is in greater need of emigration and capital, and these will go to her very slowly as long as she can be justly charged with unfaithfulness to her engagements.

I have spoken of Indiana in my last letter, and of Virginia at this time, because the former is the only one of the Northern States, if I am not misinformed, whose matured obligations have not been redeemed in full, and because the latter is one of the most prominent of the Southern States, and because her dealing with her creditors have, as has been stated, created more distrust of American legislation and American credit than the course of any other single State. I say this from no unfriendly feeling toward Virginia, for I have the sincerest regard for her. No American ever forgets that to Virginia is the United States indebted for Patrick Henry, for the Randolphs, the Lees, for Jefferson and Madison, and other illustrious names which adorn her

history. No reader of that history anywhere forgets that to Virginia is the world indebted for Washington. She is still a great State, with capabilities of becoming again one of the foremost in the Union. The first decided step for her to take in this direction is the restoration of her credit by an honorable settlement with her creditors. This step, I trust, she will speedily take.

Here I should be glad to stop, but I regret to be under the necessity of saying that it is not the course which has been pursued by Indiana and Virginia, nor is it the continued default of most of the Southern States, that has excited the gravest apprehensions of the more thoughtful Europeans in regard to American credit. What has wounded that credit the most deeply is the fact that, availing themselves of the provisions of the Legal-Tender Act, all of the indebted States which have paid at all, with the exception of Massachusetts and California, have, since the passage of that act, paid in a depreciated currency the debts which, in common honesty, should only have been paid in coin or its equivalent. This partial repudiation by some of the richest States in the Union I shall refer to especially in my next letter.

LONDON, *June 3, 1875.*

SEVENTH LETTER.

To the Editor of The Tribune :

SIR : Nothing in our history, or perhaps in the history of any country, has ever, to so great a degree, surprised the military men and the statesmen of Europe as the manner in which our great army of the United States was disbanded at the close of the late civil war. Nothing certainly has to such an extent commanded the admiration of European financiers as the commencement and persistent reduction of her national debt. That nearly a million of men, a large part of whom had been long enough in the field to acquire a love of military life, should, when their work had been finished, go back to their homes willingly, peaceably, without a single instance of violence or disturbance, to resume their former

occupations; that a nation impoverished—for I think we have now come to a realizing sense of the fact that two-thirds of the States could not for four years be engaged in subduing and devastating the other third without being impoverished, no matter what stimulus the war might have given to many branches of industry or what apparent prosperity might have been created by a redundant currency—that a nation impoverished by one of the severest, bloodiest, and most expensive contests that has ever been waged should almost before the smoke had been lifted from the battle-field begin the payment of her debt, are facts that have commanded the admiration of military men, statesmen, and financiers throughout Europe. Do not these facts indicate the excellence of republican institutions, and the power, the uprightness, and the practical good sense of a self-governed people? What will the great Republic do with its army now that the Rebellion has been subdued? What will a people, every man of whom is a voter, do with their vast debt when the question of taxation for its payment has to be calmly considered? were questions which one might have heard asked—tauntingly by our enemies, doubtfully by our friends—in military, political, and financial European circles in the spring of 1865. One of these questions has been definitely answered; the other is in a fair way of being so. The army of the United States is now a police force, sufficient merely for the protection of the frontier settlements against the scattered Indian tribes which still have a precarious existence in the Western Territories—a police force scarcely more numerous or extensive than that of the single city of London. The debt—three thousand millions of dollars in 1865—will virtually disappear with the present century. The non-existence of a standing army in the United States makes liberal-minded men everywhere hopeful in regard to the capacity of men for self-government, and causes millions in Europe to “look across the sea” for a refuge against subjection to military duty; while the steady reduction of the national debt gives investors confidence in the national integrity.

The question then arises, How happens it that the national credit is not higher than it is? Why is it not,

as it ought to be, higher than that of any other nation?

I answer, it is mainly because the States have not kept faith with their creditors. The losses which within the last two years have been sustained by European investors through the failure of railroad companies in the United States have been enormous and distressing, but private companies fail on this side of the Atlantic as well as on the other. So far, I do not understand that any of our private companies have attempted to repudiate their debts. If they had the disposition to do so, they could not. They can be reached through the courts, and there has been no lack of fidelity on the part of our judges in holding corporations to their engagements. It is not corporations, but States, which lie under the stigma of repudiation. The failure of railroad companies is undoubtedly what, just now, most severely troubles investors and prevents the success of all loans except those which are offered by well known and dividend paying corporations; but such failures create in the minds of far-seeing and thoughtful men no distrust of American credit comparable with that which is created by the bad faith of sovereign States.

Europeans, especially Englishmen, deal liberally with insolvency. There is no country in the world in which an honest insolvent debtor finds less difficulty in "arranging" his debts than in England. His creditors ask only that he shall pay what he can, and this having been done, he can start again, relieved of his burdens. Englishmen are tolerant of insolvency, but there are no words in their language strong enough to express their detestation of repudiation. It is the repudiation, absolute or partial, by many of the States which casts a dark shadow over American credit and compels the Government to pay six per cent. interest instead of four on a large portion of its debt. Fortunately the number of those who hold bonds of States which have not kept faith with their creditors is not in Europe very large, but it is large enough to diminish seriously the demand for the bonds of the Government. A majority of European investors have entire faith in the integrity of the United States as a nation. They know what the Federal Government has done in times past. They know

that in the darkest days of the war, and just at its close, when the debt seemed overwhelming, it paid in coin large amounts of bonds which had matured, although the temptation to extend them was difficult to be resisted, and they doubt not that a credit which has been maintained under circumstances the most trying will be maintained to the end. If to the investors who have this faith in the Government could be added those who are suffering by being holders of bonds of States which are wholly or partially in default, and who in consequence turn their backs upon everything American, and those who judge the nation by its components, competition among buyers would be largely increased, funding would not languish as it now does, and the burden of the debt, by a reduction of interest, would be speedily diminished.

That many of the States in their dealings with their creditors have behaved badly is undeniable. Let us look at their action from the European point of view. We are an isolated people. With the exception of Canada, which has little influence over us, we have no neighbors, and consequently we do not feel the influences which nations in close proximity exert upon one another. We have not as fully realized the weight of the obligations that rest upon Americans as citizens of States as we have of those which rest upon them as citizens of the great Republic. We have not carefully considered what must be the effect upon the European mind of the failure of States to meet their engagements.

A State can no more impair by legislation the obligation of its own contract than it can impair the obligation of the contract of individuals. We naturally look to the action of a sovereign State to be characterized by a more scrupulous regard to justice and a higher morality than belong to the ordinary transactions of individuals.

Such were the words of Justice McLean, a man alike distinguished for his high sense of honor and his profound legal learning, in delivering the opinion of the Supreme Court of the United States in a case which involved the authority of a State to annul its contracts—words that ought to be engraved upon the walls of every State-house in the Union.

Now, while a State can ~~no~~^{not} more impair by legislation the obligation of its own contracts than it can impair the obligation of the contract of individuals, it can, it seems, not only impair, but it can violate and virtually annul its contracts by refusing to observe them. Fortunately for Judge McLean, he "went to his reward" without witnessing what has since been done with legal impunity under the form of government which he so greatly admired. A State cannot, under the Constitution of the United States, invalidate its obligations, but it can lessen the value of those obligations or render them a dead letter by simply ignoring them, partially or altogether, and relying upon its sovereignty for its protection against their enforcement, and this is being done by many of the States. They do not undertake, by laws of their own making, to annul their contracts; this they are prohibited from doing by the fundamental law of the Federal Government. They do not, for instance, repudiate their debts by making laws for their abrogation, but they render these obligations valueless, wholly or in part, according to their own good pleasure, by declining to fulfill them. The State of Virginia having, under an agreement with her creditors, issued new bonds—the coupons of which were to be receivable for taxes—for two-thirds of the amount of the old ones, is compelled to adhere to her agreement and to receive these coupons from her tax-payers, but she can reduce their value by taxing them, and she might render them as worthless as waste paper by simply declining to levy taxes. Now, what confounds foreigners is the fact that while the Supreme Court of the United States must pronounce invalid all acts of States which impair, or rather are intended to impair, the binding obligation of their own contracts, it has no power to compel the performance of these contracts; that while no State can make valid laws for the repudiation of its debts, there is no power outside of itself that can enforce an observance of its faith. SOVEREIGNTIES WITHIN A SOVEREIGNTY!

Ought we to be surprised that foreigners are perplexed by this peculiarity of our political fabric, and confounded, if not disgusted, by the contradictions and injustice that

result from it? The sovereignty of the States prevents an enforcement of their obligations, and this it was that made so appropriate and truthful the remark of one of our eminent and high-minded jurists :

It is expected that the action of a sovereign State will be characterized by a more scrupulous regard to justice and by a higher sense of morality than belongs to the ordinary transactions of individuals.

The creditors of the States have nothing to rely upon for the fulfillment of their obligations but their integrity and their honor ; these, therefore, should be observed with the strictest fidelity—in spirit and letter. Are they so observed, I will not say by the States that are paying nothing—pleading inability to pay by reason of the effects of the war upon their resources as an excuse for not trying to do anything for their creditors—but are they so observed by States that have no such excuse to offer? Let us see.

Before the passage of the Legal-Tender Acts the States had almost, without exception, been borrowers of money, and for the money they borrowed they issued their bonds payable in dollars. Have a majority of them made good, are they now making good, their agreements? Has their treatment of their creditors been characterized by a “scrupulous regard to justice and by a high sense of honor?” Have they kept faith, are they now keeping faith, with their creditors? Have they not, on the contrary, for years past withheld from them 50, 40, 30 per cent. ? Are they not now withholding nearly 20 per cent. of what is justly their due? They are paying, it is true, in what Congress has decided to be lawful money ; but what, after all, is this money but unfulfilled promises, which are worth just what they sell for in the market and no more? They have been declared to be lawful money, but they certainly are not the kind of money which was borrowed by the States, and which the States agreed to pay in return for the money they borrowed. Are they, in any true meaning of the word, money? Is it not preposterous to call money promises to pay money, which can only be converted into money by the payment of a heavy discount? Facts are stubborn things, which cannot be ignored ; and the fact cannot be denied that

many of our States are only making partial payment to their creditors. Availing themselves of a law for the existence of which they are in part responsible, every time they have paid the interest on these bonds since the passage of the Legal-Tender Acts, they have compelled the holders to take, now a half, now a third, and now a fifth less than was called for by their contracts. Suppose there were in existence a great international tribunal established by the nations for the settlement of all questions between nations and of the claims of citizens against sovereignties (and such a tribunal would long since have been established if Christianity had done its perfect work), which one of our distinguished lawyers would dare to go before that tribunal with the contention that the anti-war debts of our States could be, I will not say morally, but legally, discharged by the tender of depreciated notes which the Government of which they are a part has seen fit, for purposes of its own, to declare to be lawful money? If a part of the States are right in paying legal tenders, how has it happened that Massachusetts, more heavily indebted than any of them in proportion to population, has always paid her interest in coin? Are her obligations more sacred than theirs? Massachusetts has done no more than her legal and moral obligations required of her; but her escutcheon is clear. She never faltered, her name is honored wherever her name is known, and her people have not only the proud satisfaction of knowing that their State at least has always acted fairly with her creditors, but that she is receiving in her high credit full reward for her fidelity.

LONDON, *June 19, 1875.*

EIGHTH LETTER.

To the Editor of The Tribune:

SIR: No matter what resolutions may be adopted by political conventions for party purposes, it is unquestionably true that the bonds of the United States, issued during and immediately after the late civil war, most of which are known as five-twenties, were offered and sold

with the express understanding that they were to be paid, principal and interest, in coin. They were subscribed for by our citizens and taken from them by foreigners with this understanding. Had it been otherwise, the rebellion would, in all human probability, have been successful, for it must be borne in mind that the contest between the Government and the Confederate States depended in its results as much upon money and credit as upon arms. It may be said without detracting from the skill and gallantry of the officers and soldiers of the Union armies who won for themselves and for their Government imperishable renown, that the suppression of the rebellion was attributable no less to the superior financial strength than to the superior numerical strength of the North. If victory, the other things being equal, must side with the heaviest battalions, it is money that keeps these battalions in the field. The remark has been attributed to Napoleon that in wars between nations the nation that can command the last dollar must at last be the victor.

It may not be too much to say that the Union was "saved by faith"—by the confidence which was placed by our own people and by foreigners in the assurances and pledges of the Government speaking through its authorized representatives. Although no foreign loan was directly made, the ability of our citizens to subscribe and pay for the bonds which were issued depended upon the market which was opened for them in Europe—chiefly in Germany and Holland. The people of the United States owe a debt of gratitude to the Germans and Hollanders for the confidence they had in our securities, while, with rare exceptions, the investors in all the other European markets regarded them with distrust. The dealers in United States bonds in New York and other seaboard cities know how important the German and Holland markets were to us in the days of our greatest financial troubles. The German and Holland purchasers of our bonds saw that they were in the usual form of national obligations—that they were payable in dollars, not like the compound interest on the seventy-three-ten notes in lawful money, but in dollars, and they took it for granted that Secretary Chase, his immediate

successors and their agents spoke by authority when they stated, with the full knowledge of the Executive and the law-making branch of the Government, that by dollars was meant not irredeemable promises but gold. Indeed, without such assurances they would not have supposed that bonds intended to be sold in other countries as well as in the United States could be payable in anything else than coin, the only international currency of the world.

Fortunately, it was not until the necessity for borrowing had ceased that the statutes were examined for the purpose of ascertaining whether or not the Government could violate its faith without violating the law. By this examination it was discovered that the act of March 3, 1863, under which \$75,000,000 of six per cent. bonds—a part of those known as bonds of 1881—and the act of March 3, 1864, under which the ten-forty five per cents. were issued, were the only ones which stated expressly that the bonds issued under them should be paid in coin, and that all the other acts under which bonds were issued during the war, while they provided that the interest should be paid in coin, were silent in regard to the currency in which the principal should be paid. Hence the position was taken by some well-meaning persons, and other not well-meaning persons, that the Government might, under the sweeping provisions of the Legal-Tender Acts, lawfully call in the five-twenty bonds at any time after five years from their date and pay them in legal-tender notes, no matter how depreciated these notes might be. Indeed, there are some prominent men among our politicians (fortunately the number is very small and daily becoming less) who are brave enough to assert the moral as well as legal right of Congress to repeal the act of 1869, which pledges the faith of the nation to the payment of all its bonds in coin, to call in the bonds, which by their tenor are subject to be called in, and pay them in legal-tender notes, although such payment might necessitate such further issue of these notes as would make the entire issue well nigh worthless. This would be REPUDIATION, and cowardly repudiation at that—repudiation which would not only make the American name a reproach

among the nations, but which would rob the people for the purpose of robbing the bondholders. It has been unfortunate for the credit of the Government, and consequently for the interest of the tax-payers in the United States, that this question has ever been raised. It would not, I apprehend, have been raised by any fair-minded person if the facts and circumstances under which the bonds were issued had been carefully examined, for such an examination would have shown them :

First. That in the exhaustive discussions in the House and the Senate of the acts authorizing the issue of these bonds they were spoken of by all who participated in the debates as being payable in gold. If anything else had been intended, would Mr. Thaddeus Stevens, the chairman of the Committee of Ways and Means, have uttered the following language ?

A dollar in a miser's safe is a sore disturbance. Where could they invest it? In United States loans at six per cent., redeemable in gold in twenty years—the best and the most prominent investment that could be desired. But widows and orphans are interested and in tears lest their estates should be badly invested. I pity no one who has money invested in United States bonds payable in gold in twenty years, with interest semi-annually.

I defy any man to point out a single intimation by any member of Congress, while these acts were under consideration, or by any journal in which they were discussed, that the bonds to be issued under them were to be paid or might be paid in legal-tender notes.

Second. Such an examination would have shown that the act of February, 1862, the first of the Legal-Tender Acts, and the most important of the Loan Acts, which authorized the issue of \$150,000,000 of legal-tender notes, and also of \$500,000,000 of five-twenty bonds, expressly stated that the purpose for which they were issued was to enable the Secretary of the Treasury to fund the Treasury notes (already issued) and the floating debt of the United States, and that the Secretary “was authorized to dispose of the bonds at the market value thereof for coin or for any Treasury notes issued under any former act of Congress or for the United States notes (greenbacks, as they have been called)

that might be issued under this act." Is it supposable that Congress intended to provide for funding the floating debt and Treasury notes in these \$500,000,000 of bonds, which at the expiration of five years might be called in and paid in the \$150,000,000 of notes which, with the floating debt and Treasury notes, were thus to be funded?

Third. Such an examination would have shown that the legal-tender notes were regarded as a forced loan—temporary only, and only justified by those who advocated their issue as a war measure. The fact that the issue of the legal-tender notes was limited at first to \$150,000,000, and subsequently to \$400,000,000, and that they were intended to be only a temporary issue, shows why it was that provision was only made for the payment of the interest in coin. There was not, I apprehend, a single member of Congress who did not expect that, before the expiration of five years from the date of the first five-twenties, the legal-tender notes would be paid or funded. The Secretary of the Treasury in his report of 1867 used the following language :

It is not said [in the Legal-Tender Acts] that they [the legal-tender notes] shall not be receivable for the principal of bonds, for the very obvious reason that they were expected to be but a temporary circulation. A provision that these notes—intended only to meet a temporary emergency—should not be received for the payment of the principal of bonds which were not redeemable for five years would have been quite likely to have prevented their issue. The public judgment had not then been perverted by an irredeemable currency, and a proposition that indicated a long-continued departure from the specie standard would have found few supporters in Congress or among the people.

No one can, I think, read the debates in Congress upon the Legal-Tender Acts without coming to the conclusion that if any apprehension had been expressed or felt that these notes would be a circulating medium for five years, the authority to issue them would not have been granted. The Secretary of the Treasury concluded his thorough discussion of this question in the report referred to (if his conclusions have been refuted I have never seen the refutation) in the following words; which, I trust, I may be pardoned for quoting :

In opposition to all such expedients for paying, or rather for getting rid of, the public debt is the upright, world-honored, economical policy of paying every obligation of the Government according to the understanding with which it was created; the policy of appreciating the paper dollar until it shall represent a dollar in coin; of giving stability to business and assurance to enterprise, and wiping from the country the reproach that rests upon it by reason of the low price of its securities in the great marts of the world. That this is the policy which will be sustained by the people and their representatives the Secretary has the fullest confidence. There may hereafter be nations which, ignoring their honorary obligations, may look only to their own statutes for the measure of their liabilities. If there shall be such nations, the Republic of the United States will not be found among them. She has essentially suffered by the actual repudiation of some of the States and the virtual repudiation of others; she is still suffering from the same cause, although more than a quarter of a century has elapsed since this stigma was first fixed upon American credit. She is suffering also from the fact that Massachusetts and California alone of all the States have continued to pay the interest on their bonds in coin; but although she has suffered and is still suffering from the bad faith and false economy of some of her members, her own financial honor is unsullied. She has committed the mistake of making her inconvertible promises a legal tender, but she has never taken advantages of her own legislation to lesson in the hands of the holders the value of her securities or violate her engagements by covert repudiation.

In conclusion I would ask, if it was true, as was stated in one of the resolutions of the State Democratic Convention of Ohio one year ago, that the five-twenty bonds "were by the letter and spirit of the law, and by the general understanding of the community, payable in legal-tender notes," how happened it that by the community these bonds were never considered to be of less value than the six per cent. bonds issued under the act of March 3, 1863, or of comparatively less value than the five per cents. issued under the act of March 3, 1864, both of which acts provided that the bonds issued under them should be payable in coin? Is not the fact that the six per cents. of March 3, 1863, have not had a higher reputation than the other bonds of the same class issued under other acts, and that the five per cents. of March 3, 1864, have never possessed in the market a value corresponding with that of the five-twenties, conclusive that it was not the understanding of the com-

munity that the last-named bonds were payable in legal-tender notes? Would it not have been wiser and more patriotic on the part of that convention if, instead of denouncing Congress for pledging, by the act of March, 1869, the faith of the Government to the payment of the five-twenties in coin, it had denounced Congress for not doing so at a much earlier day, according to the recommendation of the Secretary of the Treasury in his report of 1865? And now, is it not the dictate of patriotism that all citizens of the United States should do what they can to improve the national credit instead of depreciating it, so that the burden of this national debt may be diminished not only by payments, but by a reduction of the rate of interest which it bears?

I have said what I have upon this subject not because there is any danger that the Government will ever violate its faith to its creditors, but because such resolutions as were adopted last year by a convention in Indiana, and the unwise utterances of some of our journals, are used by foreigners who are hostile to the United States to depreciate our national credit, thus rendering it more difficult rapidly to fund our six per cent. bonds in bonds bearing a lower rate of interest. A reduction in the rate of interest in the United States is greatly to be desired, and a reduction of the rate which the Government is paying would tend directly to bring this about. Hence it is important, as well for the diminution of the burden of the public debt as for the benefit of our people in their private transactions, that the national credit should be placed on the highest possible basis. Can there be any doubt, therefore, as to what should be the position of all good citizens upon a question of so great importance?

LONDON, *July 12, 1875.*

NINTH LETTER.

To the Editor of The Tribune:

SIR: My letter upon Indiana, it seems, brought down denunciation and abuse from a number of journals of the State. This does not trouble me in the least; but while

I care nothing for the abuse, the charge of a wilful misrepresentation of facts, which I understand has been brought against me, ought not to be permitted to pass without attention. It will be borne in mind that I said expressly that I did not undertake to state the facts with precision, and that I remarked that the compromise, when it was made, was considered a fair one. Since that letter was written I have received a number of communications and sundry documents, by which the statements I made instead of being disproved are in all important respects confirmed.

From these communications and documents, and from facts well known to the public, it appears that at the time of the compromise the State was in debt some \$12,000,000 on bonds, a small part of which were issued for the construction of the Wabash and Erie Canal, known as "Wabash and Erie Canal bonds," the rest for the construction of various works throughout the State, and known as "internal improvement bonds;" that the State failed to pay the interest on these bonds soon after they were issued, in consequence of which they became greatly depreciated, so depreciated as to have little, if any, value in the markets, some of them having been sold, as I was informed at the time, for less than the amount of the interest which had accrued upon them; that in 1846, some six or seven years after the default occurred, a strong pressure having been brought to bear upon the Legislature, a compromise was effected under the provisions of what is known as the "Butler bill" between the State and a majority of her bondholders represented by Mr. Charles Butler, by which compromise the State agreed to give in exchange for the outstanding bonds "State stock," bearing interest at the rate of five per cent. per annum, for one-half of the principal of the bonds, and "canal stock," bearing the same rate of interest, for the other half, and for one-half of the accrued interest on the bonds "State stock," bearing two and a half per cent. interest, and for the other half of the accrued interest "canal stock," bearing the same rate of interest, the "canal stock" to be exclusively and only a charge upon the Wabash and Erie Canal, for the extension of which from Lafayette to the Ohio River

the bondholders, for their better protection, were called upon to contribute liberally. To this compromise there was a condition that the State would make no provision thereafter to pay either principal or interest on any internal improvement bonds until the holders thereof should have first surrendered their old bonds and received therefor the above-named "stock," and there was also a provision that nothing should be paid to the holders of the "stock" until bonds to the amount of \$4,000,000, exclusive of interest, had been surrendered for cancellation, according to the terms of the compromise. It further appears that the canal, chiefly by reason of the competition of railroads which were made alongside or within competing distance of the canal, under an act subsequently passed, which roads have added largely to the wealth and taxable property of the State, has become of little if of any value, so that the charge upon it in favor of the holders of the "canal stock" is worthless. It further appears that a small number of the bondholders declined to become parties to the compromise and to surrender their bonds, and that John W. Garrett (president of the Baltimore and Ohio Railroad), who was a holder of some of the bonds issued for the construction of the canal, instituted a suit against the trustees, who, under the terms of the compromise, had charge of the canal, for the benefit of the holders of the "canal stock," and obtained a decree declaring that these Wabash and Erie Canal bonds were a lien upon the canal prior and paramount to the claim of the trustees; that to prevent a sale of the canal under this decree the Legislature made provision for the payment of the bonds on which the decree had been obtained, and at a special session in 1872, by an act "declaring an emergency," provided for the payment in full, principal and interest, of all the bonds issued prior to 1841, and not surrendered under the Butler bill, whether a lien upon the canal or not. Hence it appears that the holders of the internal improvement bonds, constituting much the larger part of the State debt, received for half of their claims "canal stock" exclusively, a charge upon the canal, which was already subject to a lien in favor of the original canal bonds; that the holders of the last-named

bonds or most of them surrendered their prior lien upon the canal and accepted a joint lien with other bondholders who had no claim upon it, and that the holders of all the old bonds who declined to surrender them have received payment in full, while those who did surrender their bonds have received but fifty cents on the dollar. It will be noticed that no provision was made for the payment of the bonds which had not been surrendered under the Butler bill until the courts had decided that a part of them at least were a lien prior to the "canal stock." Now, I ask whether my previous statement in regard to the compromise of the State with her creditors is liable to the charge of being either false or unfair, whether what I omitted in that statement was favorable to the State? and I would further ask whether, in view of all the facts as now stated, it was a creditable thing or a fair thing for the people of Indiana not only to decline to do anything themselves for the unfortunate holders of the "canal stock," but to undertake to prevent anything from being done for them hereafter by an amendment of the constitution of the State absolutely prohibiting it?

I regret that I have been called upon to refer a second time to this unfortunate compromise, for unfortunate I regard it, not only for the creditors, but for the otherwise fair reputation of the State—a reputation which, I apprehend, is as dear to me as it is to those who have assailed me. Indiana has scarcely suffered more by failing to pay her debt in full than by the manner in which the complaints of her creditors have been treated by some of her journals. The answer of one of the Indianapolis editors to an application of a bondholder for the privilege of presenting in the columns of his paper the case of the holders of the "canal stock" is, in the mildest language in which I can speak of it, a masterpiece of saucy independence. A foreigner who, confiding in the honor of a State, became the purchaser of its securities and had been a loser by the purchase, if his application for such a privilege had to be denied, had a right to expect that the denial would be couched in courteous language and that he would not be denounced as a "Shylock" for merely asking permission to pre-

sent in the only way that seemed opened to him, for the consideration of the people of the State, what, in his opinion at least, was a meritorious claim.

An Englishman, writing to me under date of the 21st inst., makes the following statement :

I am the holder of Wabash and Erie Canal stock, which was forced upon me by the State under a threat and taken by me at least under protest. I was then a poor workingman, and I took \$6,000, nearly every cent I had in the world. Believing in the future of the Western States, I induced another poor "Britisher" to invest in Indiana, and we have acted together. His case is like my own, except that his was the larger amount. Considering that Indiana is now rich and flourishing, I wonder that nothing is done by her ; for a shabby and dishonorable act can never be wiped out by a State with a glorious future.

I introduce this statement, selected from many others, as an illustration of the fact that my own State has done something to "block the way" of American credit on this side of the Atlantic.

My Virginia letter was, on the whole, kindly received by the journals of that State. Both letters were dictated by no other than the kindest sentiments. I am grateful to Virginia for the honor which she has conferred upon the country. I give to her full credit for the efforts which so many of her citizens—true scions of an honorable stock—are making to restore her former reputation. That their efforts have not been successful is attributable to the fact that under the reconstruction acts this class of her citizens have not had the control of her legislation. Governor Kemper is an able and high-toned Virginian. It is true that he carries in his body a Federal bullet, a painful reminder of his madness in endeavoring to overthrow a Government by which Virginia had been greatly benefited and honored, and which she had done so much to establish. He ought to have known, what he has since been among the foremost to acknowledge, that a Union which was cemented by blood and in part by the best blood of Virginia, could not be severed. But although, having been educated in a wrong school (the Calhoun school) of politics, he went with his State, and was among the last to surrender, he will be found among the most earnest and influential workers to restore the relations which existed

between Virginia and the Federal Government before the war; and if the debt of his State is not soon put upon a footing creditable to the State and satisfactory to her creditors the fault will not be his.

The repudiation of her debt by the State of Minnesota, to which my attention has been called, has been so thoroughly "ventilated" that I had not thought it necessary to refer to it. It was not only a crime, but a blunder—an act that admits neither of defense nor palliation. That a State like Minnesota, with a soil so rich and a climate so healthful—a State which lacks only credit and capital to make her at an early day one of the most populous and wealthy agricultural States in the Union—should for the purpose of ridding herself of the burden of a debt scarcely exceeding two millions of dollars, discredit herself with her sister States and before the world, and thereby prevent the influx of the capital she needs, is inexplicable on any other ground than that her people were temporarily demented. The facts, as I understand them, are briefly these: The State, for the purpose of encouraging the construction of railroads through her splendid domain, advanced to various railroad companies her own bonds, issued in conformity with her laws and the provisions of her Constitution—to the amount of \$2,275,000—taking from these companies as security for her advances their first mortgage bonds and also other obligations to secure the payment of the interest on the State bonds which had been advanced to them. The railroad companies having failed to pay the interest on the State bonds which they had agreed to pay, the State foreclosed the mortgages which she held as security for the payment of the bonds she had issued to them, and then delivered the property she had acquired by this foreclosure, for a petty consideration, not to her bondholders, but to new corporations. The validity of the bonds and their binding obligation upon the State has been established by the decisions of the courts. The bondholders had nothing to do with the contracts between the State and the companies to which the bonds were advanced. The bonds were the bonds of the State, and the State was bound legally and morally to pay them, whether the

railroad companies complied with their engagements or not. Now, she has not only failed to pay the interest on these bonds (the coupons due in June, 1859, only having been paid), but under the false impression that reputation which could not be effected by a State law could be effected by a constitutional provision, she has undertaken to prevent her people hereafter from redeeming her credit and doing justice to her creditors by an amendment of the Constitution repudiating the bonds, and prohibiting a levy of taxes for the payment of the interest thereon. In view of this action of the Legislature and people of Minnesota, is it to be wondered at that her reputation has been destroyed and that a stain has been cast by her upon American credit generally? The language of our distinguished countryman, Mr. Evarts, who reflects honor upon the American name wherever Americans are known, is no stronger (referring to these bonds) than the case demands:

The maxim that a State will do justice to its own obligations and will submit to no coercion of courts and process, as a reflection upon its honor, seems to be put to open shame by this great and prosperous State. Confessedly, the only obstacle to the collection of these bonds from the State of Minnesota, whose direct obligations they are, is the privilege it enjoys not to be justifiable in any court. No man acquainted with legal principles, or susceptible to moral impressions, can dwell upon the features of this scandalous history of debt repudiated and trust betrayed without indignation.

The Ohio Democratic State Convention did, it seems, adopt a resolution in favor of a continued, if not increased, issue of legal-tender notes. This means, of course, that the Democracy of that great State favor depreciated promises instead of coin as a circulating medium, and are willing to place the monetary power of the country in the hands of Congress. If this resolution does, in fact, express or reflect the sentiments of the staunch old State rights, hard money party, which I honored even when I opposed it, then, indeed, may the "Ethiopian" be expected to "change his skin and the leopard his spots." I am quite sure it does not. The Democratic party has always been opposed to paper money of all kinds, especially to irredeemable notes, and it will continue to be so to the end of the chapter. Her citizens

who make a trade of politics may change, but the masses will adhere to their old faith. Governor Allen, whom I used to admire for his eloquence and have always honored for his personal uprightness, in standing upon a soft-money, centralization platform, must feel as General McClellan did upon the peace platform of the Chicago Convention. I am anxious to hear how the question of the currency (upon which I may speak in my next letter more directly than I have done) is being treated by such pronounced hard-money men as William Allen, Allen G. Thurman, and Henry B. Paine.

LONDON, *July 24, 1875.*

TENTH LETTER.

To the Editor of The Tribune :

SIR: Nearly forty years ago Daniel Webster, the greatest constitutional lawyer and one of the greatest, if not the greatest, statesmen that our country has produced, uttered the following memorable language in the United States Senate :

Most unquestionably there is no legal tender in this country, under the authority of this Government or any other, but gold and silver, either the coinage of our own mints or foreign coins, at rates regulated by Congress. This is a constitutional principle, perfectly plain and of the very highest importance. The States are expressly prohibited from making anything but gold and silver a legal tender in payment of debts, and although no such express prohibition is applied to Congress, yet as Congress has no power granted to it in this respect but to coin money and to regulate the value of foreign coins, it clearly has no power to substitute paper or anything else for coin as a tender in payment of debts and in discharge of contracts. Congress has exercised this power fully in both its branches. It has coined money and still coins it; it has regulated the value of foreign coins, and still regulates their value. The legal tender, therefore, the constitutional standard of value, is established and cannot be overthrown. To overthrow it would be to shake the whole system. Of all the contrivances for cheating the laboring classes of mankind none has been more effectual than that which deludes them with paper money. Ordinary tyranny, oppression, excessive taxation—these bear lightly on the happiness of the mass of the community compared with a fraudulent currency and the robberies committed by depreciated

paper. Our own history has recorded for our instruction enough and more than enough of the demoralizing tendency, the injustice and the intolerable oppression on the virtuous and well disposed of a degraded paper currency authorized or in any way countenanced by the Government.

These remarks of the great orator and statesman were unchallenged in the Senate and out of it; nobody then doubted their correctness. It must be borne in mind that Mr. Webster was not a strict constructionist of the Constitution, and yet in this passage he denies the right of Congress to make anything but gold and silver legal tender in payment of debts. It will also be remembered that he favored well regulated and convertible paper money, while he denounced in indignant language an inconvertible and depreciated currency.

In opposition to this opinion of Mr. Webster, and notwithstanding his warning—a warning justified by the history of other nations as well as of our own—Congress, under the pressure of a great emergency (but as a temporary and war measure only), in February, 1862, passed an act authorizing the issue of notes which should be a legal tender in payment of debts, the full mischief of which first step in the wrong direction has not yet, I fear, been realized. Under this and subsequent acts \$400,000,000 were issued—nearly the full amount of which is still in circulation—more than thirteen years after the first issue, and more than nine years after the emergency which and which only, in the opinion of those who advocated the measure, justified it had ceased.

In a speech at Fort Wayne, in October, 1865, the Secretary of the Treasury foreshadowed his own policy, and what he thought should be and would be the national policy, in the following language:

I am not of those who seem to be disposed to repudiate coin as a measure of value and to make a secured paper currency the standard. On the contrary, I belong to that class of persons who, regarding an exclusively metallic currency as an impracticable thing among an enterprising and commercial people, nevertheless look upon an irredeemable currency as an evil which circumstances may for a time (seem to) render a necessity, but which is never to be sustained as a policy. By common consent of the nation gold and silver are the only true measures of value. I have myself no more doubt that these metals were prepared by the Almighty for this very purpose than I have

that iron and coal were prepared for the purpose for which they are being used. I favor a well secured, convertible paper currency; no other can to any extent be a proper substitute for coin. I have no faith in a prosperity which is the result of a depreciated currency, nor can I see any safe path for us to tread but that which leads to specie payments. The extreme high prices which now prevail in the United States are an unerring indication that the business of the country is in an unhealthy condition. We are measuring values by a false standard. We have a circulating medium altogether larger than is needed for legitimate business; the excess is used in speculations. The United States to day are the best market in the world to sell in and among the worst to buy in. The consequence is that Europe is selling us more than she buys of us (including our securities, which ought not to go abroad), and there is a debt rolling up against us which must be settled, in part at least with coin. The longer the inflation continues the more difficult it will be for us to get back to the solid ground of specie payments to which we must sooner or later return. If Congress shall early in the approaching session authorize the funding of the legal tenders and the work of reduction is commenced and carried on resolutely, but carefully and prudently, we shall reach it probably without serious embarrassment to legitimate business; otherwise we shall have a brief period of hollow and seductive prosperity, resulting in widespread bankruptcy and disaster.

But while I am anxious about the present inflation and its effect upon the business and morals of the country, I am hopeful that by wise legislation we shall escape a financial collapse. I am hopeful that the currency may be brought up to the specie standard without those financial troubles which have in all other countries followed protracted and expensive wars. By the experience of the last four years we are led to the conclusion that our people have a latent power that manifests itself when required, and is equal to any emergency. I have faith that as we have, to the astonishment of the world, raised immense armies—larger, I apprehend, than any single nation ever brought into the field—and met the enormous expense of the war without borrowing from other nations, we shall also be able, without a financial crisis, to fund our surplus currency and interest-bearing notes, bring back business to a specie standard, and place the credit of the country on the most sound and stable basis.

This speech, or at least the financial portion of it, was published in most of the newspapers, and was, as far as the Secretary could judge by the comments upon it, favorably received by the press and the people. The views thus foreshadowed were somewhat elaborately presented in his first report to Congress, December, 1865. In this report he pointed out as clearly as he was

able the causes of previous financial crises, the delusiveness of the apparent prosperity of the country, the injurious effect of a depreciated and fluctuating currency upon business, and its demoralizing influences upon the people, the wide departure of the Legal-Tender Act from that strict construction of the Constitution given to it previous to the war by patriot men of all parties, etc., and he recommended as the proper remedy and the only remedy for the evils and dangers in which the country had been involved the gradual withdrawal of the legal-tender notes and the curtailment of the currency until it should be equal to specie. The views thus presented having been carefully considered the House of Representatives, reflecting undoubtedly the existing popular sentiment, passed, by a vote of 144 to 6, the following resolution :

Resolved, That this House cordially concurs in the views of the Secretary in relation to the necessity of a contraction of the currency with a view to as early a resumption of specie payments as the business interests of the country will permit, and we pledge co-operative action to this end as speedily as practicable.

This resolution was followed by the act of April 12, 1866, authorizing the Secretary of the Treasury to receive Treasury notes and other obligations of the Government, whether bearing interest or not, in exchange for bonds, with a provision that of the United States notes (legal tenders) not more than \$10,000,000 should be canceled within six months from the passage of the act, and thereafter not more than \$4,000,000 in any one month. This act was a movement by Congress in the right direction ; the only objection to it was the provision for a regular monthly withdrawal. Every business man knows there are seasons of the year in which large curtailments of a redundant currency can be made without disturbing the business of the country, while at other seasons small curtailments may produce injurious effects. I give it as my mature judgment that if the Secretary had been unrestricted in regard to the time and amount of the withdrawal of the legal-tender notes from circulation, and the publication of the monthly reports had been discontinued, a hundred millions of

these notes might have been retired in the course of a year without the people being the wiser for it or business being deranged by it. A single incident, which was alluded to by Mr. Wells in his very able article which appeared some time since in *The Herald*, illustrates the strength of a popular idea, or rather "notion," as it might more properly be called.

Some time after the curtailment of four millions per month had been in operation one of those periodical but temporary stringencies occurred in Wall street (such as would occur if there were a thousand millions of money in circulation), and this stringency was improperly attributed to the action of the Secretary in retiring the legal-tender notes. Mr. Van Dyck, the clear-headed and judicious sub-treasurer at New York, who kept me promptly advised of everything which was occurring at the commercial center which was likely to affect the interests of the Department and who anticipated every possible danger therefrom, informed me that there were indications of a Wall street panic, and expressed his apprehensions that if the next monthly statement showed that the usual curtailment had been made a panic would actually occur. The apprehensions of Mr. Van Dyck were also expressed by other valued and judicious correspondents in New York, and although I knew that the disease with which the country was laboring was a plethora of paper money, and that there was then no real causes for a panic, I thought it wise to give heed to the warnings which I had received. I thereupon sent for General Spinner (who, I am sorry to learn, is not to occupy through life a position the duties of which he has for so many years discharged with an ability unsurpassed and a diligent fidelity unequalled by any officer ever employed by the Government) and said to him :

General, our friends in New York advise me that there will be a panic in Wall street if your next statement shows that the usual monthly curtailment has been made. You have the four millions for cancellation on hand, and have no occasion to use them. The law only authorizes their cancellation; it does not require it. Let them remain where they are, so that your statement will show them to be cash on hand and not notes withdrawn from circulation.

This course was pursued, and although the four millions had been actually retired and were not to see daylight again except to be counted and burned, the report at the end of the month indicated that the depleting hand of the Treasury had been stayed. Wall street was at once in good humor again, and the operators for a rise were relieved, as the sensualist is relieved who, oppressed by his late dinner and heavy wines, dreams that he is in trouble and wakes up overjoyed to find that his dream was not a reality.

I have made the foregoing reference as sailors take an observation after being long in a fog, to show how retrograde have been the movements of our finances during the last eight years. First, in obedience to the senseless outcry against contraction (although the withdrawal of legal tenders had been fully made up by the increased circulation of the national banks), came the repeal of the act authorizing the withdrawal and cancellation of the legal tenders; then the decision of the Supreme Court (overruling its former decision) that the Legal-Tender Acts were not only constitutional, but that the notes issued under them could be tendered and must be received in satisfaction of contracts made before as well as after the acts were passed.

Thus the currency question was settled and everybody was happy. The operators in stocks and gold were happy, because no Secretary could lay his ruthless hands upon the currency; the railroad companies were happy, because they could pay in depreciated notes the interest of the bonds (and the principal if they had matured) issued before the passage of the Legal-Tender Acts; States were happy, because they could violate the letter and spirit of their obligations, and yet keep within the law; railroads were built or commenced in advance of the need of them, because money could be borrowed and profits could be made in their construction; extravagance, with waste, its concomitant, increased, and everything seemed to be "lovely," as lovely as a marriage feast. So strong had become the delusion produced by a redundant, and in the language of Webster, a degraded currency, that one of the most sagacious bankers in New York, who had formerly been one of the most vigorous supporters of contractions, said to me in the autumn of 1870:

Mr. McCulloch, I think we shall have to acknowledge that we were in the wrong in our opposition to the legal-tender notes; the country is prospering in spite of them. We are getting on very well, if we have superabundance of currency.

But, alas! alas! all earthly bliss is transient, if not illusory. The happy days rolled on until the time came, later, I admit, than I had expected; when the inflation bubble could no longer bear the strain upon it, and the country was awakened from its blissful dreams to a realization of the fact that what had appeared to be solid was unsubstantial—that the seeming prosperity of the country was delusive. The first impression made upon the public mind by the crisis of September, 1873, was that there was merely a panic in New York, which would be as temporary as that of 1857. This impression was of short duration. A few days were sufficient to show that what was supposed to be only an unreasonable and unreasoning panic was the outbreak of deep-rooted disorder, to stay which the reissue, as it was called, of \$26,000,000 of legal-tender notes was as powerless as bread pills would be to check the progress of cholera or yellow fever. And now while it seems to me as clear as day that our financial troubles are attributed mainly, if not exclusively, to a redundant currency, we find thousands of honest-minded people and the intelligent leaders of a great party in one State at least denouncing contraction, when there has been no contraction, as the cause of these troubles, and clamoring for more currency as a cure of a disease which an excess of currency has produced. Whatever may be the operations of such practice upon the human system it is certain that financial disorders are not curable by doses—allopathic or homeopathic—of the poison, from the effect of which collapse has resulted.

In view of what has occurred in our recent financial history is it strange that a calm looker-on should have said to me a few days ago :

You Americans have seen the beginning of trouble, but not the end. You are passing through one Jordan, but a deeper one has yet to be traversed before you stand upon solid ground again. You are too wise to profit by the experience of other nations. You will hug the delusion that you can make money

by printing presses, that promise-to pay dollars are as good as dollars, until they become as worthless as the assignats of France, and you will close the account by repudiating them.

Was he right? Most assuredly he was not; and yet I cannot deny that we have given and are still giving him good reasons for his conclusions.

LONDON, *August 2, 1875.*

ELEVENTH LETTER.

To the Editor of The Tribune:

SIR: I have been pained by noticing in the *London Times* a cable despatch announcing the death of Andrew Johnson. I hope I may be permitted to offer to his memory a brief tribute of respect. I knew Mr. Johnson intimately for four years, and had perhaps as much of his confidence as he gave to any member of his Cabinet. My impression, however, was that his experience as a politician had made him distrustful, and that he never gave his confidence unreservedly to any one outside of his own family. This distrust was one cause of the unpopularity, not to say failure, of his administration. Had he confided in the leaders of the party which brought him into power and gone with them his path would have been a pleasant one, or if, discarding them, he had called to his aid the leaders of the opposition, with whom on most questions he was in sympathy, he would have shared with them the responsibilities of a most difficult position, and received a support which he needed but seemed not to desire. Thus, unconsciously perhaps, distrustful of his fellow-men, but conscious of the rectitude of his intentions, he attempted the impossibility of administering properly the Government in the most trying period of its history without a party to support him. Distrust was one of his faults, and in becoming President, not by the choice of the people but by the death of Mr. Lincoln, and regarded on account of his being a Tennessean (notwithstanding the evidence he had given of his fealty to the Union), with suspicion by many of the extreme men of the North, it was per-

haps his greatest fault. Another fault, and a very dangerous one in a Chief Magistrate, was an irresistible propensity to make speeches, and to indulge in invectives unbecoming his great office, and frequently unjust to those whom he attacked or against whom he undertook to defend himself. He never comprehended the power of silence. Then, too, he was combative. His whole life, from the tailor's bench to the Senate, had been filled with the combats in which he had been engaged, single handed, with a powerful Southern aristocracy, bent upon preventing his political and social advancement. This combativeness he carried into the Executive Mansion. It had become a part of his nature, and he could not rid himself of it. He seemed never to be happy unless he had some one to strike at or denounce. Such were his faults, and they were grievous ones in the highest officer of the Government, but great as they were they were counterbalanced by many of the noblest qualities.

He was a man of convictions, and unalterably true to them. Lacking quickness of apprehension, he was slow in reaching conclusions, but when he reached them he adhered to them with unconquerable tenacity. No braver man, morally or physically, ever lived. Sensitive to pain, he possessed an indomitable will that led him to endure it without a murmur. During his occupancy of the Executive Mansion he was the victim of a most painful disease, and although his agony was at times most excruciating, it was indicated only by a slight contraction of the facial muscles. I said to him one day upon observing this peculiar muscular contraction: "Mr. President, you are not well." "No," replied he; "no, Mr. Secretary. I could not suffer more if an animal were gnawing my vitals," and yet he continued at his work as if in perfect health. He was of the same material that martyrs are made of, and had he lived in their days and been sentenced to the stake he would have died as they did, without recanting his opinions or giving expression to his agony. A bitter enemy, he never struck a foe after he considered him vanquished. In his family relations he was affectionate and indulgent; fond of his children, he was as gentle and kind in his treat-

ment of them as a woman. Notwithstanding his distrust of men, he was full of generous emotions. Never absent from his post, he was one of the most indefatigable workers. He was orderly in his habits and tasteful in his dress, and although deprived of the advantages of what is called good society in his early life he had the bearing and address of a gentleman. The White House was never more what the mansion of the President ought to be, than when it was occupied by himself and his modest, unpretending, but really accomplished daughters. Stigmatized by his opponents as an inebriate, he was not intemperate in the use of liquors. For some six weeks after he became President he occupied a room opening into mine in the Treasury Department, where I saw him every hour from nine in the morning until five in the afternoon, and for nearly four years there was not a day, both in seasonable and unseasonable hours, that I did not meet him, and although I frequently saw him under excitement which a stranger might have regarded as indicating intoxication, I never saw him under the influence of liquor. The reports of his inebriety, which were circulated broadcast over the country and believed perhaps by a majority of his countrymen, were audacious calumnies.

Mr. Johnson was a man of vigorous intellect. What he lacked in culture he made up in robust strength. His annual messages (with the exception of his *faux pas* in regard to the payment of the Government bonds) and his other messages to Congress are admitted to have been among the ablest of our Executive papers. Of his patriotism—his hearty devotion to the Union—there can be no question. He gave illustrious proof of this in Tennessee, when to be an outspoken Union man was attended with danger that few men, however brave, dared to encounter. During the dark days of the war his was about the only cheering voice that came up from the South. I recollect with what enthusiasm he was received when he came to Indiana to rebuke treason and strengthen the faith of the supporters of the Government when its existence was in peril. He lived long enough to make friends of thousands of his enemies, and the welcome that he received when returned to the

Senate, of which he had been for many years a conspicuous member, and before which he had been tried as a criminal, was as creditable to his former opponents as it was honorable to himself. His love of the Union found fitting expression in his dying request—that the flag of the Union should be his winding sheet. Peace to his ashes, and honor to his memory.

LONDON, *August 2, 1875.*

TWELFTH LETTER.

To the Editor of The Tribune:

SIR: A few days ago I asked a gentleman of large experience and careful observation—a friend of the United States when we had few friends among the leading men of England—“When shall we be able to borrow at four per cent. for the purpose of retiring our six per cent. Government bonds?”

“When,” replied he, “you get back to specie payments. Everything hinges upon that. I agree with you that the credit of your Government ought to be equal, if not superior, to that of any Government in the world, and it will be when you come to your senses upon the question of the currency. Should the inflationists succeed in their efforts to increase the circulation of irredeemable legal-tender notes, you will not only be unable to place your four per cents. either at home or in Europe, but you will find even the holders of your fives (for which there is now an active demand at a premium) disposed to get rid of them as speedily as possible. If the inflationists get the control of your legislation and renew the old and foolish experiment of making money plentiful by the use of the printing press, the credit of your great country will sink to the level of Egypt or Turkey.”

This opinion, which I have given in very nearly the language of the gentleman who expressed it, is the prevailing sentiment on this side of the Atlantic. There is not an intelligent man in all Europe who has given

attention to the subject who does not wonder at the infatuation, if it be not something more than infatuation, of the advocates of an irredeemable currency in the United States who does not condemn the irresolution of most of those who claim to be the friends of a sound currency. There is, in fact, more danger to be apprehended from the timidity of many who are ranked on the side of specie than from the undisguised action of those who favor further issues of Government notes. The latter are in earnest, and their aim is apparent; the former are deceiving themselves with delusive expectations. Every reflecting and intelligent man must perceive that a further issue of irredeemable notes means further depreciation of those now in circulation, an increase of financial trouble, and ultimate repudiation; but the fatal results of the "let alone" policy are not so apparent. An immense majority of our leading politicians of all parties are sound in theory, but they seem to lack nerve. The resolutions which they adopt in their conventions lack the metallic ring of real earnestness. They favor a return to specie payments, but they do not say how this is to be effected. They depreciate a continuance of a depreciated currency, but they hesitate to put their hands upon the prime cause of mischief—the legal-tender notes. They seem to be afraid of the bugbear of contraction, as if a return to the true measure of value would effect values. They seem blind to the self-evident proposition that there will be no real contraction if the purchasing power of the currency is increased proportionately with a reduction of its volume. If the specie standard is to be restored, something more is required than the passage of milk and water resolutions and acts of Congress fixing a day on which resumption shall take place. Unless some decided and practical measures are put into actual operation for the restoration of the specie standard we shall go on as we have been going for some time past, during which every day has made a return to the paths of safety and real prosperity more difficult. Let us look for a moment at the causes of the existing embarrassments and prostration in the United States and then consider some of the remedies which have been suggested

First, the causes. That there is a great stagnation in all or nearly all branches of enterprise and industry in the United States; that our manufactures are sadly depressed; that very few of our railroads are yielding fair returns on their actual cost, while a large part of them are unable to pay the interest on their bonds; that our shipping interests have so declined that the United States, which a quarter of a century ago seemed in a fair way to become the first of maritime powers, is now not to be ranked even among second-class nations in the foreign carrying trade; that our counties, cities, and towns are so seriously in debt that tax-payers are looking to unlawful measures for relief, and that for some years past we, as a people, have been so extravagant and wasteful that we have become a by-word throughout Europe, are facts that cannot be denied. Now, while this depression of our manufactures; this unprofitableness of our railroads; this decline of our merchant marine; this frightful accumulation of municipal indebtedness; this extravagance and wastefulness cannot be attributed exclusively to a redundant currency, they can in a great measure be traced to it. Other causes, it is true, have to some extent assisted in producing the trouble in which we are involved; but, if we had been on a specie basis, this trouble would have been small in comparison with what it is. Had there been no over-emission of paper money, there would have still been depression in trade and manufactures, but we should not have been overwhelmed as we have been with debt and bankruptcy. We should have felt the effect of over-production, as Great Britain is feeling it. Enormous as has been the increase of consumption in civilized nations within the last twenty years, it has not kept pace with production. The world has of late been pushed on too rapidly. The wonderful inventions in machinery, the revolution effected by steam power, and the reduction of time in international exchanges, have greatly disturbed old economic laws. Production has been immensely stimulated by forces which were not understood, or at least were not utilized, until long after the commencement of the present century, the result of which has been over-

production, reaction, depression; and these are felt in the greatest measure in those countries in which these forces have been most actively in use. There are very few branches of manufacturing in Great Britain—the greatest manufacturing nation in the world—which are now in a prosperous state, simply because there have been more goods manufactured than there is a present demand for. The same is true in the United States. Why, let me ask, are so many of our iron foundries idle? Why are our woolen and cotton mills running on half time? Why are our lumber-yards over-stocked? Why is there so little activity in ship building? Why are our railroads so unprofitable, and why are so many thousands of our laborers out of employment? Certainly not for the want of money, for money, paper money, was never so abundant or so cheap, and the same would be true of real money if it had not been driven out of circulation by the inferior currency. Ask our iron manufacturers why their foundries and forges are not in full operation; the managers of our woolen and cotton mills, why their works are partially suspended; our lumber men, why stocks have accumulated on their hands; our ship builders, why they are not building more ships; our railroad men, why their roads are not earning more money, and see if the answers are not of the same tenor—that manufactures have outstripped demand, that there is more lumber than building, more ships than freight, more railroads than traffic, more laborers than work. I do not believe that one single sensible man among all these classes of producers and dealers can be found who will attribute the existing depression to a scarcity of money.

If such are the facts, what judgment should be pronounced upon those who, through wilful blindness, or for party purposes, or for selfish ends, declaim, before laborers suffering from want of employment, against the oppression of capitalists and urge them to demand more currency as an antidote for their misfortune.

I have said that great depression in trade and manufactures exist in Great Britain as well as in the United States, but there is a marked contrast in the real condition of the two countries. While the existing depres-

sion is felt, and severely, by the manufacturers and dealers in Great Britain, the general state of the country is healthy. Land was never so high or so saleable as now; the traffic upon English railroads was never so large, and notwithstanding a reduction of taxes, the revenues of the Government are steadily increasing; municipal indebtedness is comparatively unknown; there is no general complaint of taxation, and the spirit of the people is strong and buoyant. There have been heavy failures (none, or very few, however, as far as I can learn, of firms that have not engaged in operations outside their regular business), and fearful losses have been sustained by reason of injudicious investments; but the nation is, as a whole, in a satisfactory financial state. Now, I need not ask if the reverse of this is not true of the United States. The question, then, to be considered is, to what, in addition to over-production, is the prostration of a country so abundant in resources, with a population so intelligent and vigorous as ours, attributable? Is it not, first, to our civil war? Secondly, to our redundant and vicious currency? Thirdly, to injudicious taxation? Let us dwell for a moment upon the first two, leaving the third for consideration at some future day.

First, the war. Everybody knows that wars are terribly destructive of property as well as life, and that civil wars are especially so. The war between the Government and the Southern States was one of the most exhausting that has ever been waged. All other civil wars have been child's play in comparison with it. Nothing like it, in fact, has ever occurred. During its existence we failed to comprehend its greatness or its destructiveness. For nearly four years some two millions of men, of the same nation, were engaged in the fiercest and most expensive struggle that the world has ever witnessed—a struggle that was ended with the utter prostration of the vanquished section. During the continuance of this war everything necessary for its prosecution was in demand. The manufacture of war implements, the building of war and transportation ships, the production of food for the support of the armies, necessarily involved an advance in prices, and

gave a stimulus to industry which seemed to the cursory observer like national prosperity. Never were wages so high, never were fortunes so suddenly made, never was there such a production of materials that "perish in the using," never were a people so intoxicated by deceptive appearances. That this prosperity was delusive is now apparent, but it did not become apparent until after the crisis of 1873, for during the war the Government, to meet its enormous expenditures, not only issued a vast amount of its interest-bearing obligations, but it made forced loans in the form of promissory notes, and declared these notes to be lawful money.

Secondly, a redundant and vicious currency ; redundant, because when the war terminated there was no legitimate demand for so large a circulating medium ; vicious, because it substituted a legal but artificial measure of value for the true measure, thereby violating the higher law which makes gold and silver the standard—a law which has never yet been violated without commercial disturbance, nor, if the violation was long continued, without national disaster.

That the legal-tender notes and the notes of the national banks made the circulating medium redundant is proved by the artificial prices they created and sustained by their great depreciation and by the uses that have been made of them. Their viciousness is made manifest by the facts that they were and are irredeemable ; that they have familiarized the people with dishonored obligations which they have been and are compelled to treat as money ; that they were and continue to be constantly fluctuating in value, making business gambling, and business men gamblers. That an irredeemable currency is a tax upon industry and a fruitful source of demoralization requires no argument to establish. If the truth could be arrived at, it would be discovered that depreciated paper money has been a heavier burden upon the industrial and producing classes of the United States than all the taxes, direct and indirect, to which they have been subjected, and that it has done more to debase and corrupt the public sentiment than all other causes combined. The substi-

tution of inconvertible notes for coin is an old game of distressed monarchies. It is no new experiment. It has been frequently resorted to by bankrupt nations, and always with the same disastrous results. It was resorted to by the United States, under the pressure of what seemed to be a great emergency. That it should be adhered to so long after the supposed emergency had ceased and still have intelligent and honest advocates, is difficult of explanation, in view of the fact that over-issues of paper money have been the cause of every financial crisis, every deep-rooted financial disorder that has occurred in the United States. Let us glance at our previous experience :

The bank note circulation in the United States was increased from \$61,000,000 (in round numbers) in 1830 to \$149,000,000 in 1837 ; bank deposits from \$55,000,000 to \$127,000,000 ; loans from \$200,000,000 to \$500,000,000. Then came the crash which many of us still remember, and by which the country was prostrated for years.

Again, the bank note circulation, which in 1843 was \$58,000,000, was run up to \$214,000,000 in 1857 ; bank deposits within the same period from \$56,000,000 to \$230,000,000 ; loans from \$250,000,000 to \$680,000,000. Then the second great crisis occurred, which, although sharper, and for the time it lasted more destructive, was of much shorter duration than the former one. In 1860 the bank note circulation was \$207,000,000 ; at the present time the circulation of legal tender and bank notes is and for some years has been upward of \$700,000,000, while the deposits and loans of the banks have been increased in a still greater ratio. It is asserted, I know, that bank deposits and bank loans and not paper money have been the chief cause of our financial crisis, but an examination of the bank returns will show that bank deposits and bank loans have only about kept pace, as they naturally would, with the paper circulation. And now, with over \$700,000,000 of paper money outstanding, more than half of which consist of legal tenders, there are thousands of people complaining of a scarcity of currency ; some of the leaders of a great party are advocating a larger supply of it. In the early days of

the West calomel was considered by a set of self-styled doctors a specific for all complaints, and when they had brought their patients—some of them naturally strong and vigorous men—to the brink of the grave by liberal prescriptions of this mineral poison, they were quite sure to administer more of it, exclaiming when their patients died, as they generally did under such treatment, “Poor fellows! they have gone, but it would have been all right with them if they had taken more calomel.” Are not our inflation doctors disciples of the same school?

No one, I admit, can say with any precision how much currency is required in a country like ours for legitimate business, but there are always indications of an excess which cannot be mistaken. Between 1830 and 1837 it was indicated by speculation in wild lands and town lots; by large importations, expanded credit, and visionary schemes of internal improvements. Between 1843 and 1857, by extraordinary activity in trade, the reaction from a long period of stagnation, and another unhealthy expansion of the credit system. From 1865 to 1873, by a continuance of the high prices which were unavoidable during the war; by extravagant expenditures; by gambling of all descriptions; by a mania for sudden enrichment, and by imprudent outlays in railroads. There has never been, I again remark, a financial crisis in the United States which cannot be unmistakably traced to excessive issues of paper money. The existing financial malady is wider spread and deeper rooted than any which has preceded it, because the propelling cause has been greater. It is more difficult to cure, because a large part of the currency is of a different character from that which has heretofore existed. If it were only bank notes that we had to deal with, the main cause of our trouble would soon be removed, for the people would not long tolerate irredeemable bank notes. Unfortunately, we have a currency issued by the Government which, in opposition to all economic laws, and in disregard of the experience of other nations, has been made lawful money, which has so distorted the public vision and so depraved the public judgment that former hard-money men have become its defend-

ers ; a currency which has led such men as Governor Allen, of Ohio, to pronounce specie payment an ideal-ity—a “barren ideal-ity.” If the Governor will cross the water and observe the working of well-regulated banking systems in Scotland and England, in Germany and other continental nations, he will, I apprehend, modify his opinions. He will find that specie payments are in these countries a fixed fact, and not an ideal-ity, and that his former well-considered opinions were the sound ones. But I am making this letter longer than I intended. There ought not to be much difference in sentiment among fair-minded men in regard to the cause of our embarrassments and prostration. The important question to be settled, and the difficult one, is, What is the remedy for them? This question I propose to consider hereafter.

LONDON, *August 23, 1875.*

THIRTEENTH LETTER.

To the Editor of The Tribune :

SIR : With the single exception of the United States, there is no country in the world in which the holders of its securities are the objects of contumely and denunciation. The holders of the United States bonds are corporations and persons who subscribed for them at par in currency, when the Government was in peril, or who have purchased them since at a premium. Large amounts of them have changed and are daily changing hands at a considerable advance over their face value in gold. Anyone who wants them, and has the money to pay for them, can purchase them in any of the chief markets at home or abroad.

Our national banks hold them because they are compelled to secure by this means their circulating notes ; savings banks and other trust companies hold them for the protection of their depositors ; other corporations and individuals hold them because they have confidence in the good faith and responsibility of the Government. Under these circumstances, is it not strange that the

bondholders should be denounced as monopolists and extortioners? What would be thought of public speakers or journalists in England or France, or Germany or Italy, or any other country with outstanding obligations who should endeavor to hold up to public scorn and contempt the holders thereof? Would they not be regarded as public enemies or lunatics, and be treated accordingly? What, then, is the explanation of the denunciation of the holders of Government bonds in so many parts of the United States? It is not to be found (except where it is resorted to to set class against class for party purposes) in the fact that during the war there was a body of men, small in numbers (for the great body of the people, Democrats as well as Republicans, were unfaltering in their devotion to the Union), who, not being in sympathy with the Government in its great struggle with a gigantic rebellion, not only declined to be subscribers for the United States bonds, but dissuaded others from subscribing for them on the ground that the war would be a failure on the part of the Government, and that its securities would be worthless, and who now give expressions to their spite and disappointment by denunciations of those whom they call "bloated bondholders." If those who may take the trouble to read this letter will look around them they will find, if I am not greatly mistaken, that not one of those who are now denouncing the bondholders was an earnest supporter of the Government throughout the war. I recollect the time when the subscribers for United States bonds were regarded as patriots, and I happen to know to what class they belonged. With rare exceptions they were not capitalists; for the capitalists, as a class, permitted prudence to take the lead of patriotism, and hesitated to become the purchasers of what then were regarded doubtful securities. They were not violent partisans, whose opposition to the administration was stronger than their love for the Union. They were not those who were in sympathy with the South, for Southern sympathizers knew that the proceeds of every bond that was sold went to the support of the Federal soldiers and sailors or were used in other ways for the prosecution of the war. The purchasers

of our bonds were the patriotic men of all parties, chiefly men of moderate means, who were resolved that the Union should be saved, no matter at what cost of money or blood.

"I have concluded," said an old Pennsylvania farmer to a Government agent, "I have concluded to take a couple more of them United States bonds you are selling." (He had already purchased five of \$1,000 each). "My neighbor Jones says that he doesn't believe they will be good for anything, and that he puts his money into land, but I reckon that land won't be worth much if the Union is broken up. Besides," said he with a slight tremulousness of voice, "I have two boys with McClellan in the Peninsula, and the soldiers shall not want for money if I can help it, so I will take \$2,000 more of the bonds." I trust the old farmer has held on to his bonds and that now he is one of the "coupon clippers" whom General Cary is so roundly abusing in Ohio. There were some of these neighbor Joneses in all the Northern States, and when any of them are now found one will be likely to hear them denouncing the "bloated bondholders."

It is undoubtedly true that most of those who purchased United States bonds when the currency in which they paid for them was worth much less than it is at present have since sold them at a handsome premium, thus realizing unexpected profits on their patriotic investments; but what harm, I would ask, have the purchasers at home or abroad done the Government or the tax-payers by becoming owners of them that they should be subject to denunciation and abuse? But I am taking too much time in alluding to those whose political stock in trade largely consists of abuse of "coupon clippers" and "bloated bondholders."

INFLATION NO REMEDY.

I intended that this letter should be confined to a consideration of the remedy for our existing troubles. I will first speak of the policies which are advocated, and which I am quite sure will not, if adopted, prove to be the remedy required.

First. The remedy is not to be found in a further issue of irredeemable paper. On this point argument ought not to be needed. There are now outstanding between \$700,000,000 and \$800,000,000 of legal tender bank notes, an amount larger than can be safely or profitably used in healthy trade. This is proved by their depreciation and constantly fluctuating value. No matter what estimates may be made of the amount required as a circulating medium in the United States by comparison with the amount in use in other countries, it is certainly true that not only is there no branch of industry in the United States languishing for want of currency, but there is a very large amount of currency vainly seeking investment. The banks in commercial cities are overloaded with it—so overloaded that they are lending “on call” at two per cent., and are glad to take commercial bills running from three to six months (of which a very small amount is being offered) at five per cent. per annum. Failing to find borrowers even at these rates, they are investing largely, but as they hope, temporarily, in securities, nearly one-half the interest on which is absorbed by taxes. This not only indicates great depression in manufacturing and trade, but it establishes the fact that there is more currency outstanding than there is legitimate use for. Still, there are men all over the country complaining of the scarcity of currency, and attributing the financial disasters and industrial prostration which unfortunately exist to contraction. Something less than a year ago there was a convention or small gathering in Philadelphia, composed of very respectable but certainly not very fair-minded or practical men, representing especially the iron interest of Pennsylvania; and among the resolutions adopted was one denouncing Secretary McCulloch for contracting the currency, and attributing the depression in the iron trade to the policy he had recommended and endeavored to carry out; and yet these gentlemen could not have been ignorant of the fact that iron of all descriptions, especially iron rails, notwithstanding the contraction of which they complained (which, in fact, existed only in their imaginations), went up enormously in price between 1868 and the spring of 1873. They

must have known that this rapid and really unhealthy advance in iron was chiefly owing to the unprecedented demand on the part of railroads which were being constructed, and many of which were undertaken, by reason of the plentifulness of money, years in advance of the need of them; the failure of which has brought dismay and ruin to thousands of households. Could anything be more absurd than the denunciation of contraction as the cause of the prostration of the iron interest in view of the fact that within a period of less than six years, during which there had been no contraction, the price of railroad iron (other kinds of iron being subject to the same fluctuations) advanced nearly 100 per cent., and then receded to a point lower than it had ever before reached? Can there be any doubt that this advance in iron was owing mainly, as I have said, to the imprudent expansion of our railroad system or that the decline was the result of its collapse? If the withdrawal of the legal-tender notes was the cause of the present depression how happened it that this unprecedented advance in the price of iron occurred after the contraction complained of had taken place? Does not the history of the iron trade in the United States conclusively refute the statements and arguments, if arguments they can be called, of the inflationists? I submit that this should be regarded as a test.

Was there any depression in prices or business which could fairly be attributed to contraction? Was there, in fact, any depression while it was in progress? On the contrary, did not the prices greatly advance after the withdrawal of the legal tenders had taken place, and did not the collapse occur when the volume of currency was full? The question of the currency is one of vast importance—of such importance that all ordinary political questions, in comparison with it, sink into insignificance. It ought to be dealt with fairly, for the welfare of 40,000,000 of people depends upon the proper solution of it. Nothing to my mind is more certain than that our financial embarrassments and industrial prostration are chiefly attributable not to a scarcity but to a plethora of paper money, which gave birth to speculative enterprise and expanded credits, tempted coun-

ties and cities to run heedlessly into debt, and became the fruitful cause of extravagance and wastefulness among all classes of our people. In the report of the Secretary of the Treasury for 1866 may be found the following remarks:

There being but one universally recognized measure of value, and that being a value in itself, costing what it represents in the labor which is required to obtain it, the nation that adopts, either from choice or temporary necessity, an inferior standard violates the financial law of the world and inevitably suffers for its violation. An irredeemable and consequently depreciated currency drives out of circulation the currency superior to itself, and if made by law a legal tender while its real value is not thereby enhanced it becomes a false and demoralizing standard, under the influence of which prices advance in a ratio disproportioned even to its actual depreciation. Very different from this is that gradual, healthy and general advance of prices which is the effect of the increases of the precious metals. The coin which is obtained in the gold and silver producing districts, although it first affects prices within such districts, following the course of trade, and in obedience to its laws, soon finds its way to other countries, and becomes a part of the common stock of the nations, which, increasing in amount by the regular product of the mines and in activity by the growing demands of commerce, advances the price of labor and commodities throughout the commercial world. Thus the products of the American, Australian, and Russian mines tend, first, to advance prices in their respective localities, but the operation of trade soon distributes them, and enterprise everywhere feels and responds to the increase of the universal measure of value. All this is healthful, because slow, permanent, and universal. The coin produced in any country will be retained there no longer than its productions and sales keep the balance of trade in its favor. As soon as it becomes cheaper (if this word can be properly used in regard to the standard of value) in the country in which it is produced than in other accessible countries, or rather when it will purchase more in other countries (adding interest, the cost of transportation, and other necessary expenses) than in that in which it is produced, or when it is required to pay balances to other countries, it flows to them by a law as regular and as certain as gravitation. Hence, although the precious metals are produced in considerable quantities in but a few countries they affect prices in all. Not so with a paper currency, which is local in its use and in its influence. Its advantages when convertible are admitted, for if convertible, although it swells the volume of circulation, it rather increases enterprise than prices. Its convertibility prevents expansion, while its larger volume gives impetus to trade, and creates greater demand for labor. But when a paper currency is an inconvertible currency, and especially when, being so, it is made

by the sovereign power a legal tender, it becomes prolific of mischief. Then specie becomes demotized and trade is uncertain in its results, because the basis is fluctuating; then prices advance as the volume of currency increases, and require, as they advance, further additions to the circulating medium; then speculation becomes rife, and "the few are enriched at the expense of the many;" then industry declines, and extravagance is wanton; then, with a diminution of products and consequently of exports, there is an increase of imports, and higher tariffs are required on account of the general expansion, to which they, in their turn, give new stimulus and support, while the protection intended to be given by them to home industry is in a great measure rendered imperative by the expansion.

In view of what has happened since then, I ask if these remarks were not timely and true?

I submit that with the exception of over-production, to which I referred in my last letter, the existing prostration of business and enterprise in the United States, the want of nerve, the lack of recuperative power, which are everywhere noticeable, and which are so unusual in the American character, are attributable to the excess and uncertain value of our circulating medium, to which no legislation, without a reduction of the volume of it, can give stability; a circulating medium which is not only affected by the importation or exportation of coin, but which is raised or depressed in price by gambling combinations. Not only can capitalists, by becoming speculators, put up or put down the price of gold, which means advancing or depressing the value of currency (for, after all that may be said, it is gold that regulates the value of the currency), but the property and business of our great country are to no small extent at their mercy. Is it not this which is destroying confidence, which is the mainspring of business vitality? With what safety can men embark in enterprises that look to the future for results, when they cannot predict with any degree of certainty what will be the value of legal-tender notes one year or two years hence? How can any man venture to engage in any far reaching business while the currency upon which his transactions are based is constantly changing in value? Especially how can he risk the future when the currency, now greatly depreciated, may be still more depreciated by further issues? It is uncertainty in regard to the future

of the currency that is destroying confidence, and without a restoration of confidence there will be no improvement in our financial and industrial condition. What healthy and reliable business requires is a stable basis. Let men of capital and enterprise feel that there is to be stability in the legal measure of value. Let it be understood that the higher law which makes gold and silver the only true measure is hereafter to be recognized and obeyed, and the existing lethargy will disappear and the country begin rapidly to recover from its prostration. It is very clear, then, that the remedy we are seeking is not to be found in the maintenance of the present volume of irredeemable paper money—most assuredly not in an increase of it.

Other proposed policies for bettering our condition will be considered in my next.

LONDON, *September 1, 1875.*

FOURTEENTH LETTER.

To the Editor of The Tribune:

SIR: The remedy for the existing trouble in the United States is not to be found in Mr. Kelley's plan of regulating the currency and restoring prosperity by means of an issue of convertible bonds bearing interest at the rate of 3 65-100 per cent. The idea of a convertible bond originated, I think, with Mr. Sherman, the difference between his plan and Mr. Kelley's (and it is a very important one) being in the rate of interest which the bonds were to bear. Mr. Sherman proposed an issue of five per cent. convertible bonds, but this proposition was objected to by the advocates of an exclusive paper currency on the ground that it would lead to an early contraction, which would undoubtedly have been the case, and in this consisted its merit. Five per cent. convertible bonds would have permanently absorbed all the notes not actually required for a healthy circulating medium. They would have accomplished in due time what the provision in the original Tender

Act, making the legal-tender notes issued under it convertible into five twenty bonds, was intended to accomplish.

I am under obligations to Mr. Sherman for reminding me of this excellent provision, the repeal of which he so deeply regrets, because it shows conclusively that those who voted for the issue of the first legal-tender notes did so with the intention that they should soon be retired and not become a permanent but should be merely a temporary circulation. If the provision for the conversion of the notes into five-twenty bonds had been merely suspended during the war, instead of being absolutely repealed, the legal-tender notes would long since have been out of the way and the specie basis would have been restored. Mr. Kelly's plan is to make the rate of interest of the proposed convertible bonds so low that they will be a temporary investment only, and rarely that, never permanently absorbing the currency. The measure is supported by the pronounced advocates of a continuous issue of legal-tender notes for the purpose of keeping in circulation what experience has proved to be a vicious currency. It has not a single look towards specie payments. The rates of interests are never reduced by a redundant currency; on the contrary, they advance with the advance of everything else which is measured by it. The usual charge for the use of money in all, or nearly all, the States, up to the autumn of 1873, was higher with a volume of currency coming closely up to \$800,000,000 than it was when the circulation of paper and gold did not exceed \$350,000,000. The rates of interest in the United States are not often as low as 3 65-100 per cent., and if this should happen, as it sometimes might, the Government, if the proposed measure should be adopted, would receive on deposit currency which it could not safely use, and pay interest to the depositors for simply being its custodian. It is a measure which might at times reduce the deposits in banks and savings institutions, but it would be troublesome and expensive to the Government and add to the burdens of tax-payers. It is a new dodge of the expansionists and should receive no support from those who are earnestly in favor of a sound currency.

Again, the remedy is not to be found in the "let alone" policy. There are a great many well-meaning persons in the United States who admit that there should be no legal tender, but coin, and that the present volume of currency is altogether too large, but they seem to think it prudent to "disturb" things, and that the safer course is to let the currency alone, in the expectation that it will be some day needed. Their policy is to let the volume remain as it is "until the country grows up to it." But do not these persons perceive that an excessive and consequently depreciated currency, subject to constant changes in value, is in itself a very great disturbance; that it is this which prevents investments in useful enterprises, keeps a check upon the regular trade, and fosters a spirit of speculations? The United States is a magnificent country, whose people excel all others in elasticity and vigor, and can stand a large amount of bad legislation. They can live and to some extent be prosperous under laws that contravene the well-settled principles of finance and political economy, but is this a reason why they should not be promptly relieved of unnecessary burdens? A wise physician does not so deal with a patient struggling with a dangerous malady; he does not stop to consider whether a powerful constitution may not be able to bear up under the disease without assistance, but he at once applies the remedies which books and experience have taught him will counteract it and most speedily restore his patient to health. The "let alone" policy is not a wise one for the people of the United States to pursue in dealing with a vicious currency.

Nor is the remedy to be found in the destruction of the national banks.

Opposition to banks has been the old hobby of politicians of the "tear-down" school. "They are soulless corporations; why should we not strike them?" "They are hard-hearted monopolists; why should they be permitted to exist under republican institutions?" This is their war cry. Now, what are banks? They are simply corporations, created by law, as the medium by which capital can be most conveniently diffused, and be the most effective help to productive industry. Banks

of issue exist in all commercial countries, and when properly managed they have been found to be greatly beneficial. Coin does not exist in sufficient quantities to supply a circulating medium for the large and varied transactions of commercial States, and bank notes, properly secured, have been found to be a convenient and desirable substitute for it. Had it not been so banks of issue would long since have ceased to exist. The fact that they have existed for so many years in the best governed countries in Europe as well as in the United States is evidence of their utility. I have been in England for a number of years, and although I have met many who think that this feature or that in the English banking system might be amended, I have yet to meet an anti-banking man. Banks of issue, as I have said, have been found to be of great value in all well-governed countries, but the best illustration of their utility is to be found in Scotland, where there are many banks of issue, some with limited and others with unlimited liability of their stockholders, and where for more than fifty years there has never been a penny lost by their depositors or noteholders.

The Scotch banks have contributed very largely to the prosperity of Scotland in encouraging enterprise and extending trade. There is no country in Europe in which fewer restraints have been imposed upon banking, none in which the banking system has had so free play, and there is certainly none that has made so rapid progress in development and wealth. The Scotch are proverbial for their thrift and intelligence. If banks of issue had not proved to be advantageous they would not have failed to discover it, and yet one may travel through all Scotland without finding a single person who is hostile to its banks or who does not assert or admit their usefulness.

The same may be said of the usefulness of most of the old banking institutions in the United States. I can speak with certainty of the States west of the Alleghenies, and I speak advisedly when I say that the State banks of Indiana, the banks of Ohio, Kentucky, Louisiana, etc., contributed very largely to the prosperity not only of the States in which they were established, but

to the prosperity of the entire Valley of the Mississippi. The people of the New England and the other Eastern States can vouch for the utility of their banking institutions. Banks of issue are coeval with the Government of the United States. Before the passage of the National Currency Act every State, with the exception of perhaps two, had established them. At the present time there is not a State nor, if I mistake not, an organized Territory in which national banks have not been organized. The old system, which was superseded by the present system, was defective in respect to the want of trustworthy security for the circulating notes in their local character and the absence of uniformity in their exchangeable value. The national banks, with the exception of a comparatively few new ones, are the old State banks, simply reorganized with the same stockholders and under the same managers, but with a circulation of uniform value throughout the length and breadth of the land—a circulation which is so well secured that if the United States notes were out of the way there would not be a single dollar of paper money in circulation in the United States not protected by more than the equivalent of a dollar in coin, deposited in the Government Treasury. Deposits in banks are made for the convenience of depositors, who usually receive a consideration for them. These the Government does not undertake to protect, except so far as the requirements of the law and frequent examinations may protect them ; but it has undertaken to provide, and it has provided by the national banking system, that all bank notes in circulation shall be secured to the holders beyond a reasonable, if not possible, contingency. I claim no share in the credit of the paternity of the national banking system. The only lobbying that I was ever guilty of—and of that I am heartily ashamed—was in opposition to it. I was then at the head of the bank of the State of Indiana, a large and profitable institution, under the management of tried and able men, which I knew to be sound to the core, and which I foresaw must go into liquidation or surrender its privilege of issuing two dollars for one on its capital, if the new banking system went into operation. The only credit I claim in regard to the present

system is for the organization of the Bureau, which, I think, my successors have had no reason to complain of, and for my earnest efforts to give to the new system a fair trial. It grew into favor with me day by day, and I have now no hesitation in saying that, for the United States, it is not only vastly superior to the system which it superceded, but that it is the best system which has been or is likely to be devised.

The national banking system was not the offspring of the State banks. When I went to Washington at the request of Mr. Chase in the spring of 1863 to organize the Bureau it had not a single friend among the banks. The managers of sound and well-conducted banks were opposed to it, because by bringing their banks into it they feared that the profits of their shareholders would be diminished and because they dreaded the constant annoyance to which they feared they would be subjected from intermeddling politicians and journalists. The managers of the banks of a different character were opposed to it because it required absolute security to be deposited with the Treasurer for the redemption of the circulating notes. The State banks, in fact, came into the system by compulsion; but there are now, I apprehend, very few intelligent and upright bankers who do not admit the wisdom of the act and the excellence of the system. Fortunate for the country was it that the Government did not undertake to collect its revenues or pay its soldiers in the notes of suspended State banks, the weakest of which would have maintained the largest circulation. Mr. Chase not only secured by the National Currency Act for the whole people a sound and uniform circulation, but he thus prevented a catastrophe which might have been fatal to the Union, and which certainly would have been calamitous to the country. The national banking system was one of the compensations for the war, and if its distinguished author had rendered no other service to his country, he would, by having devised it, have been entitled to the lasting gratitude of his countrymen. It is this system, so beneficial to the whole country, and so indispensable to the newer portion of it, that some politicians are endeavoring to overthrow with the intention of supplying the place of the bank

notes, which are to be retired by a further issue of legal-tender notes, which further issue would postpone indefinitely a return to specie, centralize the entire money power of the nation in the Federal Government, and inconceivably aggregate the evils which now affect us.

Our banking system is thoroughly interwoven with all our pecuniary interests. It could not be overthrown without the most disastrous consequences. Its destruction would not only put a stop to bank discounts, but it would necessitate the collection of millions upon millions of debts due to the banks. It would create a financial revolution which the country is in no condition to bear. I know it may be contended that the opposition to banks means only opposition to them as banks of issue ; that to deprive them of the privilege of issuing notes by no means involves the necessity of their ceasing to continue in existence as banks of deposit and discount. It may be true that if the banks were compelled to call in their circulation some of them would go on with the business of receiving deposits and discounting bills, but I apprehend that a large majority would go into liquidation. If they did not what would the people gain by the change? Are the legal-tender notes any safer than bank notes which are secured by United States bonds with ten per cent. margin and by the capital of the banks and the personal liability of their stockholders? Would the banks, as banks of deposit and discount, be more liberal in their dealings with their customers or in their rates of interest? Would they be any less liable to the charge of being monopolists and extortioners than they now are? What the West especially needs is a local circulation. Would it have this local circulation if greenbacks became a substitute for bank notes? I predict if the experiment is ever tried, that before a year passes there will be in all the Western and Southern States an outcry against the greenback system, and a demand for the restoration of the system which is now so vehemently denounced. The financial history of the United States shows that the people of the United States will have banks and banks of issue. If the national banking system, which affords a circulation of uniform value and unquestionable security, is to be discontinued

another system must be devised to take its place. What shall it be? Has any substitute for it been proposed? Would it not be wise and prudent for us to present a better system or to improve the one we have until a better one is proposed? The present system is, as I have remarked, manifestly superior to the one it superseded. It affords the people the uniform and safe circulation which they had long desired. It is in no proper sense a monopoly. It is in this respect free from the objections which were raised against the old United States Bank. It is substantially a free banking system, eminently adapted to our republican institutions. As far as I can judge, it has so far worked well. Let us have a proposition for an improved system before we lay our destructive hands upon it.

I have in this hasty manner stated my objections to certain remedies which are proposed and advocated for lifting the country out of existing embarrassments. I must postpone the consideration of what I consider to be the true remedy for another week.

LONDON, *September 2, 1875.*

FIFTEENTH LETTER.

To the Editor of The Tribune :

SIR: By what means, then, is the country to be relieved from the existing embarrassments? To my mind, the answer is a very simple one—by industry and economy, by earning more and spending less, by the restoration of confidence; in a word, by a return to the true measure of value, a departure from which has done more than anything and everything else to land us where we are. Confidence certainly will not be restored nor business rest upon a substantial footing until this is brought about.

The experiment we have been trying for some years past of substituting inconvertible paper for coin, of endeavoring by legislative enactment to give a value to promises which they do not possess, is not an original

one. It has not even the gold of novelty to recommend it. It has been tried on both sides of the Atlantic, and always with disastrous results.

Some years ago my excellent friend, Charles Beecher, who was then living with me at Fort Wayne, and who had among his other gifts a talent for invention, discovered, as he thought, a new method of propelling steamships. The more he thought and the more he read upon the subject the more confident he became that he had made a discovery which would not only be of great gain to the world, but which would secure to himself fame and fortune. Before applying for a patent, however, he thought he would bring the matter to the attention of some one on whose judgment he could rely. He, therefore, wrote to his brother, Thomas K. Beecher, then living in Cincinnati, and who, had it not been foreordained that all the Beecher brothers should be ministers of the Gospel, would have undoubtedly become one of the greatest mechanics of the age, described to him his new process of propulsion, and requested that he should say what he thought about it. Although he afterwards had a good laugh over it, I shall not soon forget the shade of disappointment which passed over Charles' intellectual face when he read his brother's laconic reply, which was as follows :

DEAR CHARLEY : I have examined your proposed method of propelling steamships. I see but two objections to it. First, it is an old invention ; second, it is good for nothing.

Yours, affectionately,

TOM.

If Tom could had gone further and said, "Your process is not only an old and worthless one, but, instead of driving ships more rapidly through the water, it has, wherever it has been tried, invariably sunk them," he would have given substantially such an answer as might now be given to those who think the way to make money plenty is by the free use of the printing press, and that all a Government has to do to create money is to decree that its promises to pay shall be money—the higher law that has been in force since man begun to trade with his fellow to the contrary notwithstanding.

THE TRUE MEASURE OF VALUE.

Some time after the close of the late civil war I met a Virginian who contended that the failure of the South to establish its independence was attributable to its financial condition. He related to me an incident which I will repeat, as nearly as I can recollect, in his own language :

"I knew," said he, "that our Confederate notes which had been made a legal tender were terribly depreciated, but a little purchase that I made brought the fact home to me very forcibly. As I was walking along one of the streets of Richmond with some of my friends from the country, a short time before the fall of the city, I observed in the shop-window of a shop some fine apples for sale. Thinking that it would be a nice thing to treat each of my friends to an apple, which was then a very rare fruit in Richmond, I stepped into the shop and said to the dealer, 'How much for your apples?' 'Three dollars apiece,' was the reply. 'Three dollars apiece !' I exclaimed ; 'that is an outrageous price for apples.' 'Can't help it,' said the dealer ; 'it is as cheap as I can afford to sell them.' There were eight in the party and \$24 was rather more than I could conveniently spare at the time, but as I had undertaken to do a clever thing I did not like to back down ; so I said to the dealer, 'The price is extravagant, but I will take eight of the apples.' The apples were placed upon the counter, and as I was taking out my wallet to pay for them, it occurred to me that I had two half dollars in silver in my pocket, and that it would look better to pay for the apples with them than with the Confederate notes ; so, involuntarily almost, I threw both pieces down upon the counter, remarking, 'Perhaps that will pay for them.' 'Oh yes,' said the dealer, seizing the half dollars, and hastily dropping them into his till, 'that will pay for them and leave you some change.' I took the apples and he handed me back the change ; and how much do you think the change was? Why, sir, thirty-six dollars in Confederate notes. 'Do you think, sir,' said he, 'that we could continue the war with a currency like that?'"

The real dollar, in this case, showed its purchasing

power over the inconvertible paper dollar, and so it always will ; this it did over Continental notes, this over the French assignats, and so it shows its power, to some extent, over our own legal-tender notes. Gravitation is not more certain than is that law which makes gold and silver the measure of value. We may argue against it, we may struggle against it, but it is a law which is as irresistible as fate. The value of irredeemable currency depends not upon the law which authorizes its issue and fixes a legal value upon it, but upon the responsibility of the Government that issues it, the purposes for which it can be used, and the amount in circulation. Our legal-tender notes are not greatly depreciated ; because the United States are a great nation, rich in undeveloped resources, if not in actually acquired wealth ; because these notes are receivable for all public dues, except duties upon imports ; but chiefly because the amount of issue is limited. Let this limitation be removed and further issues be authorized, and we shall find that every dollar thus added to the circulation will be marked by an equal, if not greater, depreciation in the exchangeable value and purchasing power of the outstanding notes.

Does any man suppose, if the circulation of legal-tender notes were increased, as some are desirous that it should be, to two thousand millions, that there would be any more real money in the country by reason of this increase ? Suppose Congress should change our standard of measure and enact that thirty pounds, instead of sixty pounds, should be a bushel of wheat, would wheat thereby be advanced in value or would the farmer get any more for his crops than he would get under the present measure ? Is any man richer by having \$100 of legal-tender notes in his pocket than he would be if he had \$85 in gold ?

The eagle is worth ten dollars, according to our existing standard. Would it be worth that if fifty per cent., twenty per cent., or ten per cent. were substituted for the same percentage of gold that it contains ? The eagle is worth what it is, because it has 232 grains of pure gold in it, and not because it bears the Government stamp or impress upon it. When the eagle or the

sovereign or the twenty-franc piece crosses the Atlantic it is assayed, and it is received for just what gold it contains, and no more. All the acts of Congress between now and doomsday can give to our coin no value which it does not intrinsically possess. The same is true of our Government paper currency. No act of Congress can give it a value beyond its convertible value. It may be prevented from great depreciation, it may have an artificial value by being received for taxes, etc., and by a limitation of its issue, but, beyond this, Congress is utterly powerless in fixing a value upon it, without providing for its redemption. Gold and silver have been made, by the universal consent of all nations, and not by any act of sovereign power, the standard of value; because they cost in labor all that they represent; because the supply is limited, and because they are the most beautiful and, in many respects, the most valuable of metals, possessing a value in themselves independent of the demand for coinage. An ancient potentate attempted to get rid of this higher law and to make iron a substitute for gold, but his experiment was not so happy in its results as to be followed by anyone else. Suppose Congress should undertake to substitute nickel for gold and should decree that a piece of nickel of the size of an eagle should be, between man and man and for public dues, receivable as an eagle, would it thereby possess the value of one? This would be, undoubtedly, an act of folly, but would it be any more unwise than the present legal-tender acts, by which legal-tender notes are attempted to be made a substitute for coin? In one respect the nickel coin would be preferable to notes, because it would relieve the Government from the charge of dishonesty which now rests upon it—of making its promises a legal tender without redeeming them. One of the severest charges ever brought against dishonest and impecunious monarchs was that of adulterating the coin. This there has never been a people degraded enough long to endure, nor a monarch powerful enough to enforce, and yet are not the free and intelligent people of the United States virtually doing the same thing? We are not, it is true, debasing the coin, but we are substituting for it an inferior legal-tender currency, which substantially amounts to the same thing.

Our people would not sustain Congress for a day if it should attempt to adulterate our gold coinage. It would be worth a voyage across the Atlantic to hear General Butler (of whose ability and eloquence there can be no doubt, whatever may be thought of his financial theories) denounce it, and yet he repudiates coin as a measure of value, and is, as I understand, an advocate of further issues of legal-tender notes. How did this elastic currency, which was to prevent all panics, answer the purpose in November and December, 1873? When before did it happen that the great banks in New York were unable to pay even the smallest checks of their depositors? There was never before such a "lock-up" under the sun, never such a panic as occurred with outstanding notes to the amount of nearly \$800,000,000, a panic which was not relieved by an issue of \$26,000,000 of the legal tenders, and which was, in fact, aggravated by an importation of \$15,000,000 of coin. Gold and silver coins, instead of being what some of the inflationists in Ohio call them—"a relic of barbarism"—are the great financial regulator of commercial nations, indicating by their movements unerringly when a nation is going too fast and putting on the check before the movements become dangerous.

General Butler thinks that a currency which was good enough to pay the soldiers during the war is good enough for civilians; that as legal tenders answered the purpose for which they were issued while hostilities continued they ought to answer the purpose of a circulating medium long after the war had been brought to a successful close. The soldiers in the War of the Revolution were paid in Continental notes, but in those days of intellectual darkness this was not considered a sufficient reason for their being maintained as a permanent circulation. The soldiers of the Revolutionary War were paid in Continental notes because the people had nothing better to pay them in. Every effort of the colonies and of the Continental Congress failed to give them value after the amount had become excessive. They answered for the time an important purpose, but nothing could prevent their utter depreciation. The Federal Government could not assume the payment of them, and

they became as valueless as the paper upon which they were printed. Our legal-tender notes were issued as a war measure, and if they answered the purpose for which they were issued, does it follow that they should be maintained as a circulating medium? They should be withdrawn, because they keep specie out of circulation, and prevent the restoration of a specie standard; because the duty of Congress under the Constitution is to coin money and to regulate the value of foreign coins, not to print notes and force them upon the people at a value they do not possess. The original issue for war purposes was an act of doubtful expediency and still more doubtful authority. It certainly violated a well-settled principle of finance and political economy. Is there not a practical question of another kind also involved in an authority on the part of Congress to issue notes for a currency? If the amount to be issued should continue to be limited by law what would prevent a party in power from repealing the law, and continuing its power by the use of this tremendous leverage? Is there a Democrat in the country who would consent that such a power should be lodged in the hands of a Republican, or a Republican who would be willing to intrust it to a Democrat? If this, to my mind, very serious objection, and the other objections that have been made to the legal-tender notes, could be overcome it would still be found that they would not meet the wants of a commercial and trading people—that they could not be the flexible and yet stable currency which business requires. If we ever entirely emerge from our existing embarrassment it will be by returning to first principles, by confining Congress to its legitimate power of coining money, and by leaving the question of the currency to be settled under a sound banking system by the laws of trade. The legal-tender notes should not, in my judgment, take the precedence of bank notes, for the reasons which I have already named, and because they will not afford the country, especially the Western and Southern portions of it, the local circulation they need; because they represent debt and debt only, while bank notes represent bonds which have been deposited with the Government for their redemption—the capital of the banks

and notes and bills under discount; in other words, business transactions.

The remedy we seek, then, is to be found—and in my judgment to be found only—in the gradual retirement of the legal-tender notes and in fixing a time after which they shall cease to be a legal tender. Whatever is done should not be done hastily, but the time for temporizing has ceased. Action, and decided action, upon a matter of so great importance ought not to be longer postponed. If I were a member of Congress, my first act would be to introduce a bill making the United States notes at once convertible into bonds bearing interest at the rate of four or four and a half per cent. in gold, with a provision that bank notes to an amount equal to the notes which may thus be retired may be issued, if required by the banks, and that from and after the first day of January, 1878, the United States notes shall cease to be a legal tender. Should there be at that time, or at any time, an excess of bank note circulation, the excess would be of short duration. What were not needed for use would be sent home for redemption. If the banks were unable to redeem them they would go into liquidation and their notes would be redeemed at the United States Treasury. The passage of such an act would, in my judgment, tend at once to prevent coin from flowing out of the country and to restore confidence in the future. It is disheartening to think that the products of our mines, averaging from \$70,000,000 to \$100,000,000 per annum, have been going steadily out of the country since 1848, with so little to show for them. Unless steps are taken to prevent it, this outflow will still continue. Let it be understood that the specie standard is to be restored within the next two or three years, and this outflow would cease, or be rapidly diminished, not so much by a diminution of imports as by a restoration of confidence and an increase of enterprise and production, which would so enlarge our exports that coin would not be in much demand for the payment of our foreign debt. The golden opportunity for returning to specie payments was lost at the close of the war, when individual and corporation indebtedness was small in comparison with what it is at present. Nothing can be gained, how-

ever, by further delay in getting again upon the right track. On the contrary, every day's delay renders the return to it more difficult. I know that one difficulty which shows itself is the large amount of our bonds, Federal, State, and corporate, which are held by foreigners ; but Europe is rich. Her capitalists need our solvent securities, and all that is necessary to prevent their being returned when we are not prepared to receive them, is confidence on the part of the holders that the interest will be promptly paid. Nothing will do so much to create this confidence as an honest currency at home.

A gentleman in New York who is presumably sane, as his friends have not sent him to an asylum, has recently published a pamphlet containing a copy of a letter said to have been written to me in 1865, with comments under date of July last, one of which comments is as follows : " Is it not a historical fact that the Hon. Hugh McCulloch did of himself knowingly 'do the deed,' and will not the curse of the hundreds of thousands whom his policy of contraction hurled from affluence to poverty enshroud his name with ignominy forever?" If this is not the raving of a madman what is it? I did, of my own accord, without, as is alleged in succeeding comments, the advice of my highly valued and very able friend, Mr. Lanier, or of anyone else, ask Congress, in my first report as Secretary of the Treasury, to authorize me gradually to retire the legal-tender notes until they should become equal in purchasing power to coin ; and now, after long reflection and careful observation of the effect of such notes upon business and the public morals, my only regret is that Congress prevented me from carrying out the good work so auspiciously commenced. Had the policy of contraction been sustained the country would, long since, have been on the full tide of prosperity, and the bankruptcy and ruin, which this writer attributes to contraction, would not have occurred. There has been, in fact, no currency contraction, as the withdrawal of greenbacks, as has been stated, has been more than made up by an increase of bank notes. The contraction of the greenback circulation in no wise affected business ; indeed, the public would not have

known that it was in progress but for the monthly statements of the Treasury. If I am chargeable with the panic of 1873 and its consequences, ought I not to be credited with something for the good times which were boasted of after the \$44,000,000 of greenbacks had been retired?

No one can fail to be anxious as to the decision which will be made at the next Presidential election in regard to this most important question. There are many who will regard the election of Governor Allen as a very decided indication that the people in the West are in favor of an increase of what is called lawful money, if not of ultimate repudiation; I think otherwise. Thousands of hard-money Democrats will vote for him while they spit upon the currency plank in the platform. A few, perhaps many, like Mr. Groesbeck, will stay at home or vote for his opponent, but the mass will vote the party ticket. His election, if he is elected, may be claimed as a triumph of the inflationists, but it will not be. If it should be, in fact, such a triumph, victory to the party would be worse for it than defeat. No party can turn its back upon its time-honored principles and ignore the teachings of its former great leaders without loss of reputation and of strength. The election in Ohio may be significant, but it will not affect the Presidential election of next year. That election will, undoubtedly, be one of the most important ones that has ever occurred, and it is to be hoped that the result will be the election of the man who stands upon the soundest platform. Ralph Waldo Emerson, some years ago, sententiously remarked that "the Whigs had the best men and the Democrats the best principles." It will be a happy thing for the United States if not only the party with the best principles, but with the best men, comes into power. That the general sentiment is sound upon the financial question was indicated by the favor with which the veto of the currency bill by President Grant was received by intelligent men of all parties. It is a comfort to know that during his term of office there will be, at least, no further expansion. In the meantime the sober thought of the people will have time to assert itself.

LONDON, *September 11, 1875.*

SIXTEENTH LETTER.

To the Editor of The Tribune :

SIR: Mr. Phillips' letter to the Legal Tender Club may be fine rhetoric, but it would be difficult to find in the same compass so many transparent fallacies and erroneous statements. It is true that "throughout Christendom" paper is made, to a large extent, a substitute for coin, but it never does its work well except when it is the equivalent to coin. It is only when paper money becomes depreciated and drives specie out of circulation that it becomes mischievous. As long as it has the purchasing power of coin it is a healthful and convenient substitute for it. When it has not this power it fails to perform its proper office. Nor does it, when it is the equivalent to coin, absolutely take its place. It merely shares the field with coin, and by increasing the volume of currency gives stimulus to enterprise, encouragement to industry, and assistance, by facilitating credit, to men of moderate means in competing with capitalists. In Great Britain, in Germany, in France, in Holland, and other prosperous European States, there is more coin in circulation and in the banks than outstanding bank notes. It is not so in Italy, because there a currency (which, by the way, is not half so depreciated as our legal-tender notes) drives specie away, as it does in the United States. But even Italy, notwithstanding the expensiveness of her large standing army, is moving in the right direction, and the indications are that within a brief period she also will have a bank note currency equal to coin. Mr. Phillips says that political economy "settles few points;" that it is "experience which decides questions, and that business experience has decided that currency in civilized and commercial nations must rest upon credit and consist of paper." With all proper deference to such high authority, I venture to assert that the experience of civilized and commercial nations has decided no such thing; that, on the contrary, it has decided that currency should rest upon coin, and that no currency which is not the equivalent of coin, or, in other words, which has not the purchasing power of coin, should be toler-

ated. For proof of the correctness of this assertion, I point to the present condition of all the leading commercial States of Europe.

Mr. Phillips also contends that specie cannot be a proper basis for currency, because there is not enough of it held by the banks to redeem their circulating notes, and he illustrates this point by comparing John Bull to the six-bottle toper, who refrained from drinking the wine he so dearly loved in order that he might enjoy the delightful fragrance of the strawberry at the bottom of the glass. Mr. Phillips has doubtless been a close observer of the habits of topers, and of their power of controlling their appetites, but he certainly presents them in a different light from that in which most men have been in the habit of regarding them. A toper who could sit "a whole evening" with the tempting liquid untasted before him, in order that he might enjoy the delicious odor, not of the wine, but of the "small bit of strawberry" which it covered, would be worth going to see. What a subject for a "Hogarth" would such a toper have been!

"The vast system of British paper" which Mr. Phillips speaks of is not one-half of the amount of the paper money in circulation in the United States. There is, as I have said, coin enough, and more than enough, in Great Britain to redeem every dollar of paper money there is in circulation within her boundaries. It is not, it is true, all held by the banks, but enough is held by them to enable them to meet promptly all calls that are likely to be made upon them, and bank notes have everywhere in Great Britain the purchasing power of coin. To require banks to keep constantly in their vaults specie enough to redeem their notes would defeat the main object for which banks of issue have been created. A large portion of convertible bank notes in all commercial countries is so much needed for actual and daily use that there is never danger of its being presented for redemption. The banks of the United States have undoubtedly held too little specie in proportion to their circulation, but in all the panics that have occurred (and panics will occur in all enterprising and commercial nations) it is their depositors and not the noteholders that

have compelled them to shut their doors. As I have before said, banks of issue exist in all commercial countries. They have existed in the United States from the foundation of the Government, and they will exist, in some form, to the end of it. Badly as they have been heretofore managed, the country has advanced in wealth and population in a manner of which we may be justly proud. Our national banking system requires what is required by no other banking system in the world—and in this consists its superiority—that every dollar of bank notes in circulation shall be secured by more than its equivalent in value. Can there be a better circulating medium than this?

THE LESSON OF EXPERIENCE.

Mr. Phillips states that "in building a house we do not put a platform between the house and the foundation," neither do we make the foundation the house. Bank notes which are furnished by the Government to the banks in exchange for United States bonds, which are worth a premium in gold, would seem to rest upon the solid foundation that Mr. Phillips speaks of. The statement that the banks stand between the Government and the people, at a cost of \$20,000,000 a year to the latter, is an exaggeration. The interest which the banks receive on the bonds which they are compelled to deposit with the Treasurer is overstated, and no deduction is made for the taxes to which the banks are subjected; but if the banks were the gainers to the extent named, would that be sufficient reason either for returning to the old State bank system (which banks of the wildeat nature would not object to) or for keeping up direct issues by the Government of a depreciated currency, in comparison with the evils resulting from which, according to high authority, "ordinary tyranny, oppression, and excessive taxation bear lightly?" Mr. Phillips has not, I apprehend, made finance a special study, but, being thoroughly versed in history, he can doubtless inform those whom he may address, or the clubs to which he may hereafter write letters, what country has tried the experiment of direct issues of

notes without damaging consequences. The experiment was tried on our side in Continental times, and more recently by the Confederates. France tried it with assignats and mandates—with what success history informs us. Will Mr. Phillips or some brother inflationist name the country in which the experiment has worked well? England sees no merit in it; France seems to regard one trial sufficient; United Germany is now revising her financial system, and yet Bismarck, to whom the world attributes great sagacity and ability, with our example before him, does not “take to it.” What a short-sighted man he must be to regard banks as a proper intermediary for furnishing a proper circulation to the Germans, thus putting “a platform between the Government and the house” he is erecting. How wilfully blind not to adopt a system which is working so charmingly in the United States. Poor, benighted Bismarck! Prayers that his eyes may be opened to a saving knowledge of the truth, as contained in our Legal-Tender Acts, should go up from every legal-tender club and wigwam throughout the land.

But does not Mr. Phillips give rather a free rein to his imagination in saying that “England never knew more prosperous years than from 1800 to 1820?” For most of these years England was engaged in an exhausting war, contending against the greatest captain that the world has ever produced, and, at times, against a combination of all Continental States which he had either subdued or compelled to assist in his efforts to bring into subjection this little sea-girt island. Was this the period of England’s great prosperity? This certainly will be news to Englishmen. If it was so, how unwise were her statesmen in not liberating Napoleon, and thus enabling him to continue a war which, in connection with an irredeemable currency, had made the nation so prosperous. During that tremendous and protracted struggle certain branches of industry in England did flourish. The demand for ships and war materials did unquestionably stimulate various kinds of manufacturing, and give the appearance of prosperity to many parts of the kingdom; but there was never a period in

English history when the English people were so oppressed by taxation or driven to such straits to keep body and soul together as they were between 1800 and 1820. Threatened with invasion, with all Europe at times united against her, rolling up an immense debt, compelled to send her specie abroad for the support of her army, and to meet the subsidies which were due to auxiliary troops, it is her glory that she protracted the struggle as she did until the peace of Europe was restored, by the complete overthrow of Napoleon on the memorable field of Waterloo. That she was thus enabled to contend for so many years with the formidable power that was arrayed against her was owing, in addition to her bull-dog persistency and pluck, to two causes—she was mistress of the seas, and may be said to have had a monopoly of manufacturing. No interdicts of Napoleon could prevent her from trading with America, or even with the continent, and she had no competitor in the manufacture of goods which other nations stood in need of; but for this she must have succumbed to Napoleon. England, if not the inventor of the steam engine, was the first nation to put it into practical use. For years she was the only nation that profited by the use of it. It may not be too much to say that England was saved in the Napoleonic war by the steam engine, and that to steam power, which has enabled her cheaply to utilize her vast supply of iron and coal, is her great prosperity mainly attributable. England survived the war and came out of it, although greatly impoverished, still strong in comparison with the Continental States; but the assertion that the war period was a period of prosperity is a falsification of history, and absurd upon its face. The period of England's prosperity has been since the effects of the crisis of 1825 were overcome, which crisis occurred long after the specie payments had been resumed. Since that time the imports and exports of the United Kingdom have increased from less than 100,000,000 pounds to nearly 700,000,000 pounds sterling. Can there be any stronger proof than this of the prosperity of this country after specie payments had been restored? England really commenced her rapid march of material progress about the year 1830, since

which time her advancement in wealth and power has been without a precedent in the history of nations. If it be true, as Mr. Phillips states, that the United States "entered the valley of the shadow of death" in 1865, when Mr. McCulloch began contraction, is it not strange that prices should have advanced, and that the country should have been so seemingly prosperous, after we had begun to enter that dark valley? How any man can attribute the crisis of 1873 and the depression since that to the withdrawal of \$44,000,000 in 1867, which withdrawal has been more than made up by the increase of bank note circulation, can only be explained by the fact that to a genuine inflationist facts have no meaning and falsehood seems to be truth.

NON-EXPORTABLE MONEY.

We certainly have a non-exportable currency now, and, therefore, possess what Mr. Carey favors. If it were increased to the amount that many desire, it would certainly be non-exportable, as it would not be worth the cost of transporting it across the ocean or the Canada line. If we are to have a non-exportable coinage under inflation rule, we must be careful not to put a particle of silver or gold in it, otherwise it will certainly leave us. Some years ago Congress, for the purpose of keeping change in the country, alloyed the silver coinage so that a dollar was worth only ninety-three cents, and made it a legal tender for \$5. This coinage, of course, remained at home until "the best currency which the world has ever seen" made its appearance, when it also took wings and flew to foreign parts, so that a piece of it would have been a curiosity. A non-exportable coinage would, in one respect at least, be a benefit to the country. It would save the expense of keeping up the mints. Our precious metals would leave us, in the form of bullion, which would be less expense to us and more acceptable to foreigners. Even now, as gold and silver are not a currency, but merely a commodity, the maintenance of the mints may be regarded as a useless expense. Mr. Kelley, to be consistent, should, at the next session of Congress, introduce a bill to close the mints, and to pro-

hibit Mr. Bristow from purchasing silver. According to his notions, there is not and ought not to be the slightest use for mints, and they are a considerable burden upon tax-payers. I respectfully suggest, therefore, that he introduce such a bill and make it a test question.

THE DETROIT CONVENTION.

Upon reading the resolutions adopted by the Detroit Convention, I find that I was mistaken in regard to the proposed issue of the convertible 3.65 bonds. I had supposed that the present volume of legal tenders only was to be maintained by the use of these bonds. The advocates of an exclusive paper currency have greater ambition than I had given them credit for. They certainly do not intend, if we may judge by the resolutions referred to, that any "pent-up Utica shall confine their powers" for doing good. They are not only courageous, but they are consistent. If the legal-tender notes are, as has been asserted, the best currency the world has ever had or can have, why should the issue of them be limited? Can there be too much of a good thing? The framers of these resolutions are not only courageous and consistent, but they are humorous also. No one but a man of "infinite humor" could have drawn the second and fifth resolutions—the latter favoring an issue of convertible bonds interchangeable with greenbacks to an amount equal to the whole Government debt, and the former asserting the obligation of the Government to "furnish the people with an absolutely safe and uniform currency, adapted in amount to their varying needs, and of a value not materially differing from that of other civilized nations." The convention, however, is certainly chargeable with one important omission—it failed to tell us for what these convertible bonds are to be issued. We have been told, in song at least, that "Uncle Sam is rich enough to give us all a farm." Are we to understand that he is rich enough to give to each of us these obligations, according to our varying necessities? As the convention probably did not consider the 5.20's and 1881's as being a portion of the debt which has been made "especially payable in coin," it

is easy to understand how the 3.65's can be issued to the amount which they represent, but as the bonds, which are not upon their face payable in coin, are scarcely equal in amount to one-half of the proposed issue, the convention was certainly guilty of great neglect in not informing us for what purpose and by what means the remaining "convertibles" are to find their way into the pockets of the people. The convention, in doing its work thoroughly, ought to have enlightened us on this point. If these convertible bonds are to be given to us gratis, as used to be the saying in the West, "free, gratis, for nothing," we ought to know it in advance, so that we may not be taken by surprise by the munificence of a generous Government. Perhaps, however, we are not to be surprised exactly in this way, but in another equally delightful. Perhaps we are to be relieved from taxation by the use of these convertible bonds. It may be that the Excise Laws are to be repealed and that after the bonds "not especially made payable in coin" are called in and paid off with the "convertibles," the surplus is to be used in defraying the current expenses of the Government. It would be "a sin and a shame" not to give us at least free whiskey with so much free money as we are to have. Then, too, it is possible that frequent and liberal "eye-openers," as they are called in California, may be needed in order that we may take in the full beauties of the glorious system. With cheap money we ought certainly to have cheap whiskey.

The proceedings of a mass convention numbering 500 souls ought, however, to be treated seriously, and I confess to a feeling of relief upon reading its resolutions. They mean nothing if they do not mean boundless expansion, violation of the national faith, and ultimate repudiation. The Prince of Darkness is never dangerous when he appears with the cloven feet and conspicuous tail; it is only when he comes with specious promises and captivating appearance that he leads poor mortals astray. By these resolutions the convention threw off all disguises, and I greatly overestimate the intelligence and the probity of my countrymen if, by so doing, it has not deprived the inflationists of much of their power for mischief.

LONDON, *September 11, 1875.*

SPEECH

DELIVERED AT THE

ONE HUNDRED AND NINTH ANNIVERSARY
BANQUET AT DELMONICO'S,

MAY 14, 1877.

SPEECH

DELIVERED AT THE

ONE HUNDRED AND NINTH ANNIVERSARY
BANQUET AT DELMONICO'S,

MAY 14, 1877.

THE PRESIDENT. The eighth regular toast is "Resumption of Specie Payments," a thing long deferred, but earnestly hoped for. This will be responded to by Hon. Hugh McCulloch, former Secretary of the Treasury.

SPEECH OF MR. M'CULLOCH.

MR. PRESIDENT AND GENTLEMEN OF THE CHAMBER OF COMMERCE: You have made a mistake, Mr. President, in calling upon me to respond to the toast "Resumption of Specie Payments." I am not gifted with the "oral," and I long since exhausted my limited resources in discussing the currency question. In the few remarks I shall make I can only repeat what I have said in official reports and in letters which have appeared in the newspapers.

At the close of the late civil war the nation was confronted with an immense debt—some four hundred millions of which consisted of circulating notes, possessing, unfortunately, all the legal attributes of money—which was to be dealt with by the Treasury Department under the direction of Congress. It so happened that I was at the time at the head of that department, and it consequently became my duty to make suggestions to Congress as to the course that should be pursued in the treatment of a subject of so transcendent importance. This I did in official

reports and in personal interviews with members, with all the earnestness I felt and the ability I possessed. I was less anxious about the interest-bearing debt than about the currency, but I was sometimes appalled by its magnitude. Three thousand millions of dollars against a nation that a few years before was uneasy under a debt of a hundred millions, was a formidable fact to contemplate. I confess that I was frequently staggered by it. I was apprehensive that the right start might not be made; apprehensive that our people might be disposed to imitate the example of those nations in which national debts are an abiding and constantly increasing burden; apprehensive that the tax-payers might be unwilling to impose upon themselves the taxes necessary for the payment of the interest upon so enormous a debt, to say nothing about the gradual extinguishment of the principal. These apprehensions were soon dissipated. In the very year in which the war was closed the reduction of the debt was commenced, and the reduction has been steadily continued, to the amazement of foreign nations and to the honor of the American people. [Applause.]

There is one fact in regard to the published statements of the public debt to which I may, I trust, be pardoned for referring. If you think it improper for me to do so, please attribute the impropriety to the wine which the gentlemen around me have been drinking. [Laughter.] In none of the Treasury statements which I have seen since the advent of the last administration has any mention been made of the reduction of the debt under the previous one. A person looking at one of these statements would suppose that the reduction of the debt was commenced with General Grant's administration, while, in fact, the previous reduction had been upwards of two hundred and fifty millions of dollars, according to the books and published statements of the Treasury, and while also a larger sum even than this was paid by the War and Navy Departments on accounts which had not been so adjusted, as to appear as a part of the public debt on the Treasury books. You, doubtless, recollect the anecdote of the witness who, upon being rebuked by the judge for stating his age to be much less than it

was, excused himself by saying that twenty years of his life had been spent on the eastern shore of Maryland, which it would be a cruel thing to charge to his account. There were people a few years ago who seemed to think that the four years of Mr. Johnson's administration ought not to be charged against the life of this great nation, and yet I predict that when the history of that administration shall have been written by an impartial pen, there will be nothing upon its pages of which the friends or descendants of those who participated in it will be ashamed. [Applause.] I have alluded to this matter merely because injustice has been done to the Government by these partial statements of the reduction of the public debt.

While the general management of the debt has been such as to command the approval of the people, there is one great error into which we have fallen. We have been reducing the interest-bearing debt, leaving the legal-tender notes substantially untouched. During the war a very large amount of money was required for the payment of the soldiers and sailors and other large expenses, for which there was no legitimate use after the war was over. Everybody knew, or at least everybody ought to have known, that the country, while engaged in this tremendous contest, was far from being in a prosperous condition. Everybody knew, or ought to have known, that the requirements of trade could not be larger at the close of the war than they were at its commencement; and yet the volume of paper in circulation as money was some four times larger in 1865 than it was in 1861. It was very clear to my mind that this surplus currency must be reduced, or it would inevitably produce mischief. Congress, and perhaps a majority of the people, thought otherwise. The process of contraction was stopped before it had been fairly tried—before it had effected in the slightest degree the business of the country; and the result has been manifested in the terrible collapse which has taken place everywhere in the value of property, in enterprise, in the enormous municipal and individual indebtedness under which tax payers and debtors are groaning, in the demoralization which has been so general, that I might

almost say that fidelity in public trusts and integrity in the discharge of official duty have been the exception rather than the rule. In my opinion, the legal-tender currency can be justly charged with more of the evil which has befallen the country than anything else that can be named. [Applause.] A redundant currency has been the chief cause of our troubles, and this currency must be reduced to the requirements of legitimate trade, in all its various branches, before prosperity will return or the specie standard will be restored. Humiliating as it may be, we must return to the policy which was abandoned in 1868. There can be no doubt that there is more paper money in the country than there is a proper use for. The banks in this great commercial city find it difficult to use, even at very low rates of interest, the currency with which they are burdened, and some of them find their best customers among that enterprising class who are developing the resources of the country by bulling and bearing stocks. [Laughter.] The various insurance and trust companies of the Eastern States, finding it impossible to loan their money at satisfactory rates at home, are employing agents to lend it, at high rates, in the Western States. The old rule has been reversed—lenders are soliciting borrowers instead of borrowers soliciting lenders. In a recent visit to the West I learned in all the towns through which I passed that there were agents employed by Eastern companies to lend money on bond and mortgage. In a majority of cases, I apprehend, these loans will be disastrous to the borrowers, and in not a few unprofitable to the lenders. I never hear of persons attempting to obtain very high rates of interest without calling to mind an incident of my early life. I had an old friend in Boston, Mr. Paul Peter Francis DeGrand, whom I esteemed most highly for his extensive commercial knowledge, and regarded, perhaps, with greater interest by the fact that he had fought a duel and carried the evidence of his vindicated honor in a shattered arm. In taking leave of him, as I was about to start for the West, I asked him if he had any advice to give me. “No,” said he, “I have no advice to give;” then, after a moment’s hesitation, he remarked: “Yes, my young friend, I have one word of

advice to offer. I have been in that new country myself. When you get into that new country everybody will want to borrow your money. Now, my word of advice is this: If two men come to borrow your money, and one offers you 10 per cent. and the other offers you 20 per cent., be sure to lend to the man that offers you 10 per cent."

Fortunately for the country our President, now present, is a hard-money man, who won laurels in a severe contest with inflationists in his own State. Fortunately, also, we have a hard-money man at the head of the Treasury Department, who has made finance a study, and who is thoroughly acquainted with the condition of the country. Under their lead I am hopeful that the currency question will be solved and the specie standard restored, to the great relief and advantage of the best interests of the country. This can be done within the next two years if their efforts are sustained by Congress and the intelligence of the people. The influence of this chamber of commerce should be exerted in this direction.

One word more upon a subject to which the distinguished Secretary of State has alluded. There is a restriction upon our foreign commerce which ought at once to be removed. Many years ago a law was passed for the encouragement of ship building, which virtually prevented citizens of the United States from purchasing foreign ships. Some years after, such duties were imposed upon materials used in the construction of ships as to make ship building unprofitable. So that it has been almost literally true that American citizens have been prevented, by their own laws, both from buying or building ships. Legislation more unwise can hardly be imagined. [Applause.]

ADDRESS

DELIVERED AT

WOODSTOCK, CONNECTICUT, JULY 4, 1878.

ADDRESS

DELIVERED AT

WOODSTOCK, CONNECTICUT, JULY 4, 1878.

LADIES AND GENTLEMEN: The invitation which I received to participate in this celebration was accompanied by a request that I should say something about finance and business. Recollecting the manner in which this day (which must always be honored by all who reverence the character and appreciate the services of those by whom our national independence was achieved) was observed in the New England States in former years—how we used to listen to orations extolling our republican institutions, our inheritance of freedom—it seemed something like desecration to devote any part of it to the discussion of subjects so practical and dry as those upon which I was invited to address you. This departure from ancient usages does not, I am sure, indicate any decline in patriotism, but rather a proper appreciation of our present duties and responsibilities. The events of the last seventeen years—the civil war which dwarfed into insignificance the Revolutionary struggle; the subsequent delirium under the influence of which we looked upon lavish expenditure and wild speculation as indications of real prosperity; the awakening to a realization of our mistake by the crisis of 1873; the depression which followed and which still exists, have abated the exultation with which we were wont to hail the return of our great national holiday without diminishing our respect for it.

In the invitation which I received there was reference to the sacrifice I should make in leaving my business to come to Woodstock—as if I were to be the loser by

exchanging the atmosphere of New York for the invigorating air of the hills of Connecticut; as if one born and bred in New England, and who, with the exception of three short visits, has been away for nearly half a century, could be making a sacrifice in returning to it and meeting an assembly like this. No New Englander who is worthy of the name ever ceases to be proud of the land of his birth or strongly attached to it. The forty-five years which I have spent either in the valley of the Mississippi, among a people hardy and enterprising, to whom I am strongly attached; in Washington, which everybody abuses, but which no one who has lived in it leaves without regret; in London, the world's commercial metropolis, the richest and most populous of cities, in which are to be found the most interesting treasures of ancient and modern art, and the clearest proofs of the progress of mankind in civilization and refinement, have in no wise lessened my love for New England nor my pride in being one of its sons. I am glad to be here, and I tender to the gentleman who invited me my sincere thanks for the invitation.

And here let me say, that while New England is a good country to be born in and a delightful country to live in, it is not well for those who make it their home to confine themselves to its borders. There is such a thing as too strong local attachment. There is such beauty in the New England landscape, such vitality in the New England air, such culture and refinement in New England society, such comfort, not to say luxury, in New England homes, that the dwellers in this favored land (for it is a favored land in spite of its ungenerous soil, its rigorous winters and March winds) are in danger of being indifferent about other sections and of underestimating their influence in giving direction to national affairs. No sensible American fails to be benefited by leaving, for a time at least, his home, no matter how great its advantages and allurements. Frequent visits to other sections of his own country cannot fail to improve him. New England in sending out, as she has done, thousands of her sons to possess the fertile fields of the South and West, and to take the lead in trade, in banking, the professions and what not in the commer-

cial cities which they have done so much to build and to beautify, has made large contributions to the national welfare. New Englanders are found in every city and township in the Union, so that they have earned the title of the "universal Yankee nation;" but, while this is the case, a large part of her population are a stay-at-home people. Half the people of New England have rarely been out of the States in which they were born. Large numbers of her well-to-do and well-educated citizens shrink from even the contemplation of a journey to the South or West, and think that they have "done wonders" if they have made an occasional visit to Boston. And permit me to say, with all due respect for their acquirements and ability, that many of the New England representatives in Congress would be wiser and broader men, and more influential in the national councils, if they came more frequently into personal contact with the people of the other States. Books and schools and colleges are not the only educators, nor is learning necessarily intelligence. When I went to the West I met men there whose faces had never been seen in a school-house, so far seeing, so sagacious and intelligent, so superior in these respects to myself, that I was almost ashamed of what little book learning I had. It is not paradoxical to say that we can learn a good deal from those who know much less than we do.

Pardon me for following this line of thought a little further. As I have never before spoken to a New England audience, I may, like the man who thought his prayer should be listened to with favor because he prayed so seldom, draw freely upon your indulgence. There is nothing more instructive to an American than a visit to foreign countries. Conceit is a barrier against knowledge. The less one has of it the more open is he to instruction, and there is nothing which takes conceit out of a man like a residence abroad. They only are wise in their own conceit who know little of others. We live in a country so extensive, so rich in minerals, so varied in productions, so inexhaustible in resources, so abounding in all that is needful for the support of the race; and then, too, we are so inventive, so self-reliant, so enterprising, so free, that a good many of us seem

to be of the opinion that we have nothing to learn from the Old World, little to gain by intercourse with it, and that we should not be greatly the losers if it were submerged by the ocean. Nothing can be further from the truth. We are as dependent upon the Old World as the Old World is upon us. We have much to learn from European nations—in art, in politics, in finance, in political economy, and even in agriculture. As an agricultural nation we certainly ought to lead all others; and yet in this respect we are excelled by nations that are frequently spoken of as effete. We impoverish by bad husbandry soil which under scientific treatment would year by year be increasing in productiveness. To say nothing of the States that were afflicted with slavery, there are States in the valley of the Mississippi, essentially agricultural, in which lands are being so badly treated that the yield per acre is already diminishing. Our lamented friend, Mr. Greeley, who instructed the readers of the *Tribune* by telling them what he knew about farming, would have gained in knowledge by visiting even Italy or Spain. He would have seen there lands responding as kindly and as generously to the labors of the peasants as they did a thousand years before the discovery of America.

Much is to be learned from European nations in all the live subjects of the day. Look for a moment at Great Britain, with which we have more important commercial relations and more intimate social relations than with any other country. May we not learn something from her? Everybody knows that she is the richest of nations; that her colonies encircle the globe; that Victoria is the acknowledged queen of an empire, the grandest in the world, altogether more populous and extensive than was the Roman Empire in the days of the Cæsars; and yet there is a prevailing sentiment in the United States that Great Britain has seen her best days; that her institutions are repressive and antiquated; that she lacks the vitality and energy which are so characteristic of the United States. The very reverse of this is the truth. There are about Great Britain no indications of decrepitude. Age has not impaired her vigor; her monarchy is not the antagonist of

freedom ; every year adds to her population and largely to her wealth. Her Government, although stable in its general character, readily adapts itself to the advancing spirit of the age. Aristocratic in respect to the monarchy and the peerage, she is essentially democratic in respect to the power possessed by that representative of the public sentiment, the House of Commons, to which, in all great contests, the House of Lords is compelled to yield. The premier is virtually the head of the Government, and his place depends upon the accordance of his measures with the popular will. In Great Britain no man can be a cabinet minister who is not a member of Parliament, and the appointment of a member of the House of Commons to a seat in the cabinet, involves the necessity of his resigning his membership and obtaining the endorsement of his constituents in a new election. Judges are selected from those who are distinguished alike by their standing as lawyers and their stainless reputation for uprightness. Crime is summarily punished and breaches of trust are regarded as among the most heinous of crimes. A change of ministry makes no change in subordinate offices. Fidelity and ability are the tenure of office, and long and faithful services are rewarded by pensions. Nor does a change of ministry involve a change in financial or economical policy, which is always intended to be so framed as to depress no useful industry, check no lawful enterprise, build up and sustain no monopoly. If a revision is thought to be necessary, the wisest and most practical men of the nation are consulted, and the administration stakes its continuance upon its success in carrying through Parliament a proposed reform. No American, no matter how strong his republicanism, can be long a resident in Great Britain without perceiving much to admire in the character and working of the British Constitution ; much that might be advantageously imitated by the people of the United States. Nor can he be long in that country or upon the continent without perceiving that there is no sluggishness in Europe ; that there is progress there as well as in the United States, and that his countrymen must make good use of their opportunities if they are not willing to be

distanced in the march of progress and civilization. But I must hasten to the subject upon which I was invited to address you.

How, then, is the business outlook and what are the obstacles in the way of rapid and permanent recovery from the depression which has so long existed? While it cannot be said that there is any decided improvement in business, there is a better, a more hopeful, feeling among business men and among the people generally than has existed since the autumn of 1873. This of itself is a healthy indication. There have been within my knowledge several severe financial crises in the United States, but in none of them have I witnessed more despondency and distrust than has been manifested within the last five years. In no previous financial crisis were bankruptcies so numerous, individual losses so large. None has been comparable with it in the dishonesty which it has developed, the mismanagement and breaches of trust which it has brought to light. Men holding high positions in society and in the churches have been robbers; corporations supposed to be sound, and which, according to the reports of their managers were sound, have been found to be rotten to the core; merchants and manufacturers have not known whom to trust; investors, small and large, where to look except to governments for solvent securities; laboring men and women, who put their faith in savings institutions, have been in almost numberless instances cheated out of their little surplus earnings—the slow accumulations of years of toil and self-denial—and for a time it seemed that honor and fidelity had departed from among us. For all this there was cause. What was it? Was it not our wide departure from old financial landmarks, our disregard of our own experience and the experience of other nations? I do not underrate the effects of our great civil war, nor the effect of machinery upon labor which is felt throughout the world, and which presents questions more difficult to solve than any economical questions which have engaged the attention of thinkers or statesmen, to which I shall refer further on. I admit it was the war which caused the first movement in the wrong direction, but the war is not answerable for what

followed it. The enormous expenditures of the Government made money, or what answered the purpose of money, plentiful, and the demand for everything necessary to arm, equip, pay, and maintain immense armies—for ships and for war materials—so quickened the producing energies of the loyal States, that men became intoxicated with the idea, and acted upon it, that the country was prosperous when it was, in fact, being rapidly impoverished. All this is admitted, but, according to my understanding, most of the evils and trouble to which I have referred were the natural—I may say the inevitable—result, not of the war, but of financial mistakes after the war was ended. It was after the war that the flood-gates of speculation were thrown wide open; that what might be called the mania for building railroads manifested itself. It was after the war that municipal indebtedness began to roll up, and became at last so heavy that tax-payers have sought relief from their burdens by attempting to repudiate their obligations; that the private debts were contracted which have since been wiped off by bankruptcy. It required no spirit of prophecy to predict substantially in 1865 what took place between that year and 1873. For the prosecution of the war a very large amount of currency was required, for which there was—there could be—no legitimate use after this requirement ceased; and I felt it to be my duty as Secretary of the Treasury to ask Congress in my first report for authority to retire so much of it as could be retired without prejudice to industrial interests. The authority was given—not exactly in the form that I desired—because I knew, as every business man knows, that there are seasons of the year when full volumes of currency are required, and other seasons when large amounts are idle and reductions can be made without prejudice to anybody, but authority was given to me to withdraw from circulation four millions per month. The power thus given was exercised not to the full extent, but to the extent of withdrawing some \$48,000,000 in fourteen months. And I desire to say right here, that no business interest of the United States suffered while this withdrawal was going on; that nobody but the officers of the Treasury would have known

that it was going on had it not been for the publication of the monthly Treasury reports. I will say more. If the law authorizing the retirement of the United States notes had not been repealed, and the authority granted to the Secretary of the Treasury had been firmly but prudently exercised, the causes which produced the crisis of 1873 would not have existed, the country would have escaped the throes and agonies of the last five years, the specie standard would have been restored, and a greenback party would never have been heard of.

The withdrawal of the legal-tender notes were advocated because, issued for war purposes only, they were not needed after the close of the war, inasmuch as the banking institutions, the capitals and numbers of which were steadily increasing, could and would furnish, as they had done before the war, all the currency that would be required in the transaction of legitimate business. The experience of other nations, as well as our own, had taught that the inevitable tendency of a redundant currency was to divert capital from healthful channels into enterprises prejudicial to material interests and good morals; and I affirm that there never have been severe financial troubles in the United States which were not the result of an excess of money of some kind, and the consequent expansion of credit. So well was this understood, even when the wave of speculation was rising, that I did but echo the public sentiment when I said in 1865 :

Labor is the great source of national wealth, and industry invariably declines on an inflated currency. The value of money depends upon the manner in which it is used. If it stimulates productive industry, it is a benefit. If, on the other hand, it diminishes industry, and to the extent to which it diminishes it, it is an evil. Even in the form of the precious metals it may not prove to be wealth to a nation. The idea that a country is necessarily rich in proportion to the amount of gold or silver which it possesses is a common and natural but erroneous one, while the opinion that real prosperity is advanced by increase of paper money beyond what is absolutely needed as a medium for exchanges of real values is so totally fallacious that few sane men entertain it whose judgment is not clouded by the peculiar financial atmosphere which inflation is so apt to produce. * * * There are no indications of real and permanent prosperity in our large importations of foreign fabrics, in the heavy operations at our com-

mercial marts, in the splendid fortunes reported to be made by skilful manipulations in the gold room or the stock board ; no evidences of increasing wealth in the fact that railroads and steamboats are crowded with passengers and hotels with guests, that cities are full to overflowing, and rents and the prices of the necessities of life, as well as luxuries, are daily advancing. All these things prove rather that a foreign debt is being created, that the number of non-producers is increasing, and that productive industry is being diminished. There is no fact more manifest than that the plethora of paper money is not only undermining the morals of the people by encouraging waste and extravagance, but is striking at the root of our material prosperity by diminishing labor.

The withdrawal of the legal-tender notes was advocated because the Legal-Tender Acts were a war measure ; because the opinion was then universally entertained that the Government of the United States was one of limited and defined powers and that the authority to issue notes as money was neither expressly given to Congress by the Constitution nor fairly to be inferred, except as a measure of necessity in a great national emergency ; and I hazard the opinion that such will be the decision of the Supreme Court when the question is fairly presented—a decision which will dispel the monstrous delusion and heresy that have taken so strong a hold upon so many minds—that all that the Government needs to do to make money plentiful and the country prosperous is to put the printing presses at work upon its promises to pay.

And now how stands the country to-day upon the currency question? What has Congress done about it? It has passed an act virtually remonetizing silver and demonetizing gold. It has prohibited any further withdrawal of the United States notes. Indeed, the Secretary is compelled by law to exercise his wit to keep their full volume in circulation, whether he have need of them or not. Other legislation looking still more strongly toward inflation was only defeated by slight disagreements between the two houses, decisive action being postponed until the next session.

And how stands the man at the helm of financial administration, the able, the adroit, the self-poised Secretary of the Treasury? He advocated the Legal-Tender Acts ; but as a war measure only. There was, when

the bills were under consideration, no intimation from him that the notes to be issued under them were to be a permanent currency. If there had been, so sound was the public sentiment at that time upon this all-important question, that the measure would have received but a meager support in either house, and he has since admitted that the repeal of the provision that these notes might be converted into the 5.20 six per cent. bonds at the will of the holder, was one of the greatest and most unfortunate mistakes committed by Congress during the war. He, alas, has become tinctured with the greenback mania. He now favors the continued issue of these notes, limiting the amount to three hundred millions.

The political parties—how stand they? There can be no mistake as to the financial policy of the national or greenback party. The withdrawal of bank notes and an issue of Government notes, based upon the wealth of the country and equal to the wants of the people, commencing with a thousand or fifteen hundred millions, to be increased with the increase of population, is, in the opinion of the leaders of this party, to be the panacea for all financial troubles. But how is it with what have been heretofore the two political parties, which since the adoption of the Constitution have been contending for the rule of this great country? Not a single platform in the South or West, except that of the Republican Convention of Michigan, and very few in the Middle and Eastern States have had in them a sound financial plank. All the conventions have been either silent or doubtful or heretical, and mostly heretical, on a question which affects the welfare of every man and woman in the United States.

It is especially worthy of notice that by none has there been a downright endorsement of the national banking system. Now, what is this system which so many denounce and nobody defends? It is substantially the old State-bank system, with a circulation perfectly secured and current everywhere, instead of a circulation of limited credit and doubtful solvency. The State banks had nothing to do with the creation of it. It was forced upon them by national necessities. Not a bank

favored the passage of the National-Currency Act. Few, if any, would have accepted it if they had not been forced to accept it by the law which taxed their circulating notes out of existence. A system which compels the banks to secure their circulating notes by United States bonds, with a margin of ten per cent., although the bonds may be worth a premium, is not a profitable system to bank under. The national banks during what was called the flush times, between 1865 and 1873, did as most people did, or thought they were doing—make a good deal of money upon paper; but the sifting process, which has been for some time and is still going on, reveals the unpleasant fact that no small portion of their profits was apparent rather than real. I know something of the old State-bank system; I have given some attention to the systems of other countries; and I do not hesitate to say that our present system, although not a profitable one for the bankers, is the best system for the public which is now in existence. If the bank act is repealed the people and not the bankers will ultimately be the chief mourners. Banks of issue exist in all commercial countries, and they will exist in some form in the United States. Without them enterprise and credit would be deprived of what they need in competing with capital. If the enemies of banks were to undertake to give to capitalists the control of business they could not more surely and effectually accomplish their object than by prohibiting the incorporation of banks of issue.

The greenback heresy may gain strength, and for a time Government notes may occupy the entire field, but it will be for a time and a short time only. The evil will cure itself, but at an enormous sacrifice. No political party has ever been wise enough or honest enough to be trusted with the power of supplying the country with money through the agency of the printing press. When such a party does exist, the millennium will have dawned, and there will be no further use of money of any kind. Issues of Government notes are not a novelty. This experiment has frequently been resorted to by embarrassed or bankrupt governments, and the result has always been disastrous—disastrous to the governments and especially to the people. Congress wisely

put a limit upon the issue by the acts which authorized it, but, limited as it was, it was a great misfortune that the exigencies of the country seemed to render such a measure necessary. That necessity passed away with the war. There is now no need of Government notes. Gold and silver and convertible bank notes are all that is now required to bring back the country to a healthy condition, as far as this can be affected by money. There will be no stability in trade, no safe foundation for business men to build upon, until the Government ceases to be a banker—until the public sentiment is in accord with the opinion of Mr. Webster, when he said :

Most unquestionably there is no legal tender in this country, under the authority of this Government or any other, but gold and silver, either the coinage of our own mints or foreign coins at rates regulated by Congress. This is a constitutional principle, perfectly plain, and of the very highest importance. The States are expressly prohibited from making anything but gold and silver a legal tender in payment of debts, and, although no such express prohibition is applied to Congress, yet, as Congress has no power granted to it in this respect but to coin money and to regulate the value of foreign coins, it clearly has no power to substitute paper or any thing else for coin as a legal tender in payment of debts and in discharge of contracts. Congress has exercised this power fully in both its branches. It has coined money, and still coins it; it has regulated the value of foreign coins, and still regulates their value. The legal tender, therefore, the constitutional standard of value, is established, and cannot be overthrown. To overthrow it would shake the whole system.

The system was shaken by the Legal-Tender Acts. It will not only be shaken, but, if the believers in the greenback theory obtain the control of the Government and the Supreme Court does not come to the rescue, it will be completely overthrown. I say nothing against the honesty of the advocates of this theory. Many of them I know personally. Their sincerity and integrity I have no right to doubt. It is the theory which they advocate which I denounce; and I denounce it because I regard it as being at war with the best interests of the country. If it prevail, there may be another period of unreal but seductive prosperity; but it will be followed by disasters far more serious than those from which we seem to be recovering, even if the end be not the climax of national dishonor—repudiation.

But, it may be asked, will not danger in this direction be obviated by the resumption of specie payments, which is to take place in January next? Certainly not, because we have no assurance that the Resumption Act will not be repealed at the next session. It undoubtedly will be, if the November elections indicate that a majority of the people favor continued and further issues of United States notes. And what, after all that has been said about it, will resumption under the Silver Act amount to? Silver dollars, worth nine per cent. less than paper dollars, are now a legal tender. The legal-tender notes, at the option of the Secretary of the Treasury, may be redeemed in either silver or gold. If the demand is light, the redemption will be in gold; if large, in silver. No man can know, when he goes to the Sub-Treasury for coin, which he will receive. The effect of the Silver Act will not be realized until silver bullion is treated by the Government like gold bullion, or until it becomes practically the only standard, as it will be when the balance of trade is against us, instead of being, as it is now, in our favor. Silver is now at par with gold, because no man can obtain the silver dollar, worth as bullion but ninety-one cents, without giving the gold dollar for it. All this will be changed when silver dollars can be obtained on a deposit at the mint of silver bullion less the slight charge for mintage, or when the Secretary is compelled to use silver in payment of interest on the public debt or in discharge of other obligations of the Government. Resumption, as long as the Silver Act is in force, will be a sham.

But would it be so if, as the result of the action of the Silver Commission, the double standard should be adopted by the European nations? It is difficult to say what might be effected by a general accord of the nations upon this subject. My own opinion is, that the commercial world has outgrown the use of silver as a standard of value and that there will be no such national accord. Great Britain, which has derived immense advantages by having adopted, years ago, the single gold standard; Germany, which at great pecuniary loss and at no little disturbance to exchanges throughout the world, has demonetized silver; France, which keeps

her silver coin at par with gold by limiting the coinage, so as to make it practically a subsidiary currency, will be parties to no compact making silver a standard of value equally with gold. Great Britain, which is losing heavily in her Indian revenues by the depreciation of silver; Germany, which has still a large amount of silver to dispose of; the Bank of France, which holds nearly a hundred millions of silver coin which it has no use for, and which it could not sell within a twelve-month without incurring a loss of not less than ten or fifteen millions of dollars, would hail with satisfaction any action of other nations that would advance even temporarily the market price of an article in which they have so large an interest; but that they will reverse their established policy by adopting the double standard, which has never worked well wherever it has been tried, is what we have no right to expect. By adopting the double standard the United States allies itself with China and India and the second and third-rate nations of Europe, instead of the first; and the laws which have heretofore governed international trade will be changed, if the consequences are not injurious to its credit and a drawback upon its prosperity. Although the coinage on a large scale has but recently been commenced, silver dollars are already a burden and they will be a constantly-increasing burden upon the Treasury. There is a higher law in finance as well as in morals. That law demands in all commercial nations gold as a standard, silver as a subsidiary currency. The former for large and international transactions; the latter for what may be called domestic use. For these purposes there will be ample demand for both.

There is another question to which I will briefly allude—a question which agitates and troubles other countries as well as our own—the labor question. The business of the world is being revolutionized; fewer men are needed in its transaction; producers and consumers are nearer to each other; the raw material is being manufactured at home, and machinery is doing the work of hands to a far greater extent than ever before. All this is telling against manual labor. The capacity to produce is now far ahead of the ability to consume. The

consequences are dull trade, idle mills, idle men, restlessness, violence. The question, What shall be done with the thousands which this revolution has thrown out of employment? is one, the seriousness of which cannot be overestimated. It stands before us to-day in new political organizations, in communism, in socialism. Nothing of this kind had been anticipated in a country where there are no privileged classes, and land is so cheap and homesteads are obtainable on the Government domain without money and without price; but the fact cannot be denied and ought not to be disregarded, that there are immense numbers of men not only in our large cities and manufacturing districts, but in the agricultural States, out of employment. I speak not of those who, too lazy to work and too cautious to rob or steal, regard the accumulations of industry and economy as a wrong to themselves, but of those who are willing to labor and are unwillingly idle. There are, I believe, more men vainly seeking for work in the United States (a large portion of whom were attracted hither from other countries by the high wages which were paid in former years) than in any country in Europe. Especial danger is to be feared from this state of things, because these men are voters and have no little influence in controlling elections. Idleness, especially enforced idleness, brews mischief and is dangerous to the State. Honest employment promotes virtue; idleness, vice. Manual labor is reputable, although in no country is it properly respected; laboring men, as a class, are honest men; they may be, they frequently are, led astray by those who deceive them, in order that they may use them for purposes of their own, but dishonest they are not, and dangerous they will never become if they are fairly treated, furnished with employment, and receive wages sufficient for their own support and the support of their families. There is little danger of communistic violence in the United States. Communism, as taught by its fathers, is opposed to violence. It originated in Europe. It was the manifestation of dissatisfaction with dynastic institutions, with a social order which sustained one class at the expense of another. It aimed at an impossibility—at not only equality of rights, but community of prop-

erty. It took a light hold in the countries in which it was first taught. There is no soil in which it can take root in the United States. The rightful claims of labor are a different thing altogether. They are neither communistic nor socialistic. They are claims for employment, for the right to live, and these are claims which demand the most careful consideration. Why don't these idle people go to work? asks one who knows as little about the condition of the laboring classes in the United States as he does about the condition of the inhabitants of the South Sea Islands. Why don't they go West? asks another, who is as ignorant of the West as he is of what is going on in the moon. It is work that so many idle men—idle not through their own fault, but idle by the substitution of machinery for hands—are begging for, that families are starving for. Steam and machinery are taking the place of hands to nearly the same extent in the agricultural as in the manufacturing districts. Doctor Gwyn, of California, cultivates his thirty-six thousand acres in wheat almost entirely by machinery. The heading, thrashing, winnowing, bagging are all done with the use of less hands than were formerly required in securing the crop of a quarter section. What Doctor Gwyn is doing in California is being done on a smaller scale in all the agricultural States. Machinery cultivates land, as steam drives the locomotive, the ship, or the wheels of a factory. It is not strange, therefore, that the laboring man looks upon labor-saving machinery and implements as his enemies, and it is by no means certain that they are not. Looking at the labor question as humanitarians regard it, it is indeed questionable if labor-saving machinery is not working against the security of society and the welfare of the race. Political economists do not take this view of it. They care nothing for instrumentalities. They look only to results, and to results in a particular direction—the increase of the national wealth—as if the greatness of a nation consisted in its wealth alone and not in the character and condition of its people. If there is any science in the world that needs to be baptized with the spirit of the Gospel it is political economy. But, however we may philosophize upon this view of the subject,

the march of steam and of invention for the saving of labor and time is onward, and will continue to be onward, no matter what may be the effects on the laboring classes. I know it is denied that machinery is the enemy of manual labor. Has not, I may be asked, the introduction of machinery, while it has enormously increased production, increased also the demands for labor? Has not this been the case in England, the greatest manufacturing country in the world? When the spinning jenny and other labor-saving machines were first introduced into the manufacturing districts of England, was there not an outcry against them by the spinners and other laborers who supposed their means of living was in danger? And did they not resort to violence to prevent their use, as the harvesters in some of the Western States are threatening to do to prevent the use of agricultural machines? And was not the result of this introduction immensely beneficial, not only to the mill owners and to the nation, but to the laborers themselves? Were they not better clothed and better fed than ever before? Did not the use of machinery in England increase the demand for labor and the wages of the laborer? Has not this been the case always and everywhere, and will it not continue to be so?

In considering this question we must be careful not only in regard to our facts, but our inferences. When labor-saving machinery was first set in motion in Great Britain she was just starting as a manufacturing nation, but so rapidly did she move in this direction that she soon became the workshop of the world. For thirty years she had a monopoly in manufacturing. The raw material from the ends of the earth were sent to her to be made up and returned in the finished fabric. During this period her gains were enormous, and the demands for labor kept pace with the demands for the products of her factories and shops. This is no longer the case. She has now rivals in the United States, on the continent, in her colonies; and the condition of her laboring classes would be deplorable were it not for the stream of emigration constantly flowing out from her into other lands, and the far-sightedness of her Government in aiding the enterprise which pushes her trade and com-

merce into every port of the world which is open to her ships.

It is also true that up to a recent period machinery increased rather than diminished the demand for manual labor in the United States. It may be so again; but I do not see what reason there is for expecting it. The number of men who are out of employment may not be increasing; but it is uncomfortably, dangerously large. Congress has done, perhaps can do, nothing for them. An increase of currency would not help them. Currency is already superabundant. Millions of greenbacks are lying idle in the vaults of the banks for want of borrowers. There is no branch of industry in the United States languishing for want of money. Relief, and this will come slowly, can only come from that power of adjustment which exists in all communities, and from an increase of our foreign trade, which will increase the demands for our products. In the meantime capitalists must be content with small profits. Reduction in the expenses of manufactories and railroads must not be made at the expense of their employes only. Stockholders must not expect dividends on capital which exists only on the books of the companies. Those who have money to spend must spend freely; those who have not must be content to live frugally. Laborers must be treated kindly and helped to employment when it can be found. There must be no sympathy with the opinion, which is said to have been recently advanced by a distinguished clergyman, that "we should not trouble ourselves when we see men suffering from hunger or in the depths of misery. That starvation is a means of grace." Hunger may be a means of grace by rendering a man willing to exchange this world for a better one. A blessing was pronounced by the Saviour upon those who hunger and thirst after righteousness; but blessed are they who hunger for bread is not among the beatitudes. It must be progressive Christianity which finds a saving unction in starvation. The prescription may be a good one for those who believe that the mortification of the flesh is a necessary preparation for the life to come; but it would hardly suit the case of those so little spiritually-minded as laborers are supposed to

be, and who might like the prescription better if it came from one who had himself tested its virtues.

I have spoken upon subjects which seemed to be hardly appropriate to the day, because I was invited to speak upon them and because they were uppermost in my mind. I regret my inability to discuss them with more satisfaction to myself and to you. They are not new subjects; but they cannot be stale as long as great interests depend upon their solution. I shall not have spoken in vain if anything I have said will lead to a more careful consideration of them.

Let it not be supposed that I take a desponding view of the future, or that I am among those who have lost faith in republican institutions. I do not and would not underrate the difficulties we have to contend with nor the dangers that surround us; but I see no reason for despondency. We have made many mistakes; we may make many more and greater ones; but the people of the United States are too intelligent and patriotic to go long astray upon subjects so interesting to them as finance and labor. Experience, a hard but efficient teacher, will put them right, if nothing else will do it. There are some, I know, who favor a stronger Government than was established by those whose wisdom and patriotism we this day commemorate—some who do not hesitate to say that there can be no safety where all men are voters; but I have never heard the expression of such an opinion from one who did his full duty by taking an active part in politics. If the country is not well governed, it is the fault of those who have the most at stake; if politics is a "dirty business," it is because intelligence and property are not represented in primary meetings and at the polls; if the machinery which governs is not in the right hands, it is because property holders stand aloof and leave the management to others. "We live and move and have our being" in a political atmosphere. We cannot escape from it if we would. We are a self-governed, self-governing people. Every man, to the extent of his influence and his vote, is responsible for the laws that are passed by the legislature of his State or by Congress, and for the manner of their administration. He cannot escape that responsibility

by declining to participate in nominations or elections. Professional politicians would be unknown in the United States, as they are unknown in England and in France, if those who have the greatest interests to be protected did not fail in the discharge of their political duties. I have no patience with men who speak of our republicanism as being, in the language of the day, "played out," while they have never lifted a finger to prevent the evils of which they complain. The Constitution of the United States was framed by men pre-eminently wise. The Government based upon it is better adapted to the wants of men and the advancement of a Christian civilization than any that has ever been organized. If it fail in the object aimed at by its founders, it will not be from defects in itself. If we do our duty, as they did theirs, republicanism will not be a failure.

We have much to encourage us. Providence, by the bountiful crops of the last year and the promise of still more bountiful ones, already in part secured, of the present season, has done much to counteract the effects of our unfortunate financial legislation. There is a bright as well as a dark side to the picture. We present this day to the world the miracle of a nation heavily indebted to other nations, and yet with foreign exchange in its favor; of a nation in a time of unparalleled business depression steadily reducing the burden of its debt. We have much to be thankful for, and for nothing more than the fact that, notwithstanding the efforts that are being made in certain quarters—efforts as unwise in policy as they are unpatriotic, to perpetuate antagonism between the North and South—the union of the States is secure. The late civil war was peculiar in its character. It was a war between the civilization of barbarism, if this be not a solecism, and the civilization of freedom; between two antagonistic systems existing under the same Government—a system which degraded labor and a system which honored it; systems so widely different as to lead to different constructions of the Constitution, one section interpreting it as establishing a government of the whole people, the other as establishing a copartnership of States; systems involving questions which it seemed impossible to settle by discussion and which

were at last put to rest upon the battle-field. The attempted secession of the Southern States was an act of stupendous folly, under the circumstances utterly unjustifiable. This much, however, may be said in palliation of it. The people of the South never acknowledged that unqualified allegiance was due to the Federal Government. They had been taught in their schools, in their colleges, in their churches even, that primary allegiance was due to their respective States. Hence, they believed that secession was not treason. A traitor lives only to be abhorred, and I submit that the appointment of Confederate generals to important Federal offices, the reception given them by the people of the North, irrespective of party; the honors paid in Congress to the Vice-President of the Confederacy, which are only illustrations of Northern sentiment, preclude us from denouncing secessionists as traitors. On one point, however, there must be no concession. The colored people of the South are citizens of the United States and entitled to all the rights of freemen. Whether their absolute and immediate enfranchisement was wise or not, whether it has so far resulted in their benefit or not, is not the question. They are now voters, and in the use of the ballot they must be as free and unrestrained as are their former masters. My own opinion, however, is that this is a matter which will take care of itself. The true interests of the country demand that there shall be no "solid South," and there will not be, when efforts to secure political ascendancy by appeals to the animosities created by the war prove, as they will soon prove, to be, abortive. The time is not far distant when the South will be divided on the questions of the day, and the colored vote will be as humbly solicited by candidates for office as what is called the foreign vote is in the North.

Pardon me for having spoken so long, and permit me to congratulate you upon the fact that I am to be followed by eloquent speakers, who will discourse to you upon subjects which, if not more important than those to which I have asked your attention, are certainly more pleasing.



LECTURES

DELIVERED AT

HARVARD UNIVERSITY, MAY, 1879.

LECTURES

DELIVERED AT

HARVARD UNIVERSITY, MAY, 1879.

FIRST LECTURE.

MONEY.

"I do not know," said a Western clergyman to me in 1841, "I do not know what would become of religion and the churches were it not for hard times. Godliness makes greater conquests and more converts in a year of financial trouble than in twenty years of prosperity. You must have noticed," said he, "that all our great revivals have taken place when a sudden check has been given to money making, and adversity has come over the land like a flood. Religion would die out in this money-worshipping country of ours were it not for commercial crises." The good clergyman was not far from being right in his views of the effect of hard times upon the religious sentiment, nor do such times fail to bring with them some compensation by leading to a better understanding of moral, financial, and economic laws. The ethics of social and official life, economical and financial questions, are receiving from the masses throughout the United States attention which they failed to receive in more prosperous days. The moral atmosphere is clearing up. The majesty of law is being vindicated in the punishment of the violators of trusts. Wealth and position are becoming day by day less and less potent as shields for crime and dishonesty, and there are hopeful indications that the moral sentiment of the nation will, ere long, reach so high a plane that men who, while keeping within the letter of the law,

and having a wholesome dread of its penalties, do not hesitate to enrich themselves at the expense of those whose interests it is their duty to protect, will be shunned, if they cannot be punished, as criminals. The observations of a long and varied life have shown me that there are no men more pernicious in their influence, and very few more dangerous to society, than those, some of whom are found in every community, who gauge their conduct by the statute book; who regard nothing as being wrong which is not a clear violation of the law; who make it a study to ascertain just how far they can go in dishonest practices without being in danger of the penitentiary. We sometimes see, strange as it appears, indications of a disposition to make a strict construction of statutes a justification of disregard of honorable obligations, in men holding high political positions, and whose personal integrity is not questioned. We had an illustration of this in the treatment, by prominent men of both of our great political parties, of a question which affected the national honor, but which has been practically settled, for the present at least, by the resumption of specie payments. The bonds of the United States issued during the late civil war, when their value depended largely, if not mainly, upon the result of the war, were issued and sold as gold bonds. As such they were spoken of in the debates in Congress. They were so pronounced by the officers of the Government; so advertised by the agents through whom they were offered to the public, with the knowledge and implied approval of Congress. Everybody regarded them as being gold bonds. Without this understanding it is very questionable that they could have been sold. If there had been an intimation, when the Loan Acts were under consideration, that the bonds which were to be issued by their authority might be redeemed in five years in a currency the value of which could not be foreseen, and which was, in fact, greatly depreciated when they became redeemable, the Union might have perished for the want of the necessary means for the prosecution of the war. It is difficult to conceive how any intelligent, upright man could doubt the obligation of the Government to pay these bonds in

gold, and yet, scarcely had the war been concluded and the solvency of the Government become assured, when men occupying high political and social positions began to agitate the question as to the currency in which they might be redeemed, and to contend that payment might be legally made in United States notes, inasmuch as the statute only provided that the interest should be paid in coin, but was silent as to the principal ; while it must have been clear to any one who was conversant with the history of the Legal-Tender Acts that this silence was owing to the fact that provision was made in them (which provision was subsequently and most unfortunately repealed) for the conversion of these notes into bonds, and that nobody then supposed that notes issued under the war power of the Government would be continued in circulation after the war was ended. Happily an overwhelming majority of the people of the United States were not unwise enough nor dishonorable enough to look to the strict letter of the statute for the measure of their obligations. The honor of the Government was maintained, and by its maintenance the burden of the national debt has been greatly lightened by the reduction of interest, which otherwise would have been impracticable. The student of the political history of the United States will find nothing in it so indefensible as the doctrine advocated by men of large influence in giving direction to the public sentiment, that a great nation might, without dishonor, violate its pledges to its creditors, if by so doing the letter of the law was not violated. The old adage, that "honesty is the best policy," was never more clearly vindicated than it has been by the manner in which the public interests have been promoted by the maintenance, by the people, of the honor of the Government, in their treatment of its bonded debt. I have great confidence that other financial questions, and economical questions also, will be settled with equal wisdom and integrity after they have been carefully and calmly considered. The present is a favorable time for their consideration. A great many false notions are to be corrected, a great many heresies are to be exploded, before perfectly sound ground will be reached; but it will be reached if the

questions to be discussed are discussed fairly and freely, and when it is reached some of the most serious obstructions to the progress of the country in the paths of honor and prosperity will be removed. It is fortunate, so far as financial questions are concerned, that there is no sectionalism to be contended with. All parts of the country have a deep, if not an equal, interest in their settlement. We are now prepared to take our financial reckoning under circumstances which are not likely to mislead. We are neither exulting in prosperity nor are we prostrated by reverses. The experiences of the last five years have sobered us. We are not as comfortable as we would like to be, but we are not troubled as we have been; the crisis is over; the clouds are passing away; the movement, slow but sure, is now onward. Nothing can prevent the United States from taking the lead of the nations in all that constitutes true national greatness but vital mistakes upon questions which lie at the basis of national prosperity. One of these questions I propose to consider briefly in this lecture—money, its character and offices—what money is, and what are its legitimate uses. It is an old question, and I do not expect to say anything new upon it. It is, however, fundamental, and one in regard to which there is much diversity of opinion. In this lecture I shall speak of gold and silver as jointly constituting money; in my next, of the changes which are constantly taking place in their comparative value.

It is unfortunate, I think, that the usual definition of money has been so liberal. In a dictionary of the highest authority it is defined as "cash, or current token, or representative of value, as bank notes exchangeable for coin, notes of hand, accepted bills on mercantile houses, etc., etc." Such a liberal definition has led to much confusion and misconception. The idea that all substitutes for money, obligations which require money for their fulfilment, mere evidence of debt, are money, has given rise to many and serious errors in regard to an article about the character of which there should be no misunderstanding. In speaking of money, I shall hold to what I consider the true definition, a definition strictly adhered to by the framers of our Federal Constitution,

according to which no obligations of any kind can be properly called money. They may, to a certain extent, take the place of it, but they are not money; they are merely evidences of debt in one form or another. Gold and silver coins alone are money; they are money because by common consent of the nations they have been so declared, and from time immemorial have been so used, and because they possess in themselves intrinsic value. They are something more than tools, as they are sometimes called, something more even than a measure of value; they are precious metals, costing what they represent as money in the labor required to obtain them. Coined money, therefore, depends for its value not upon the authority which stamps it, but upon the quantity of pure metal which it contains. Each government exercises the right of coining its own money, but its power in this respect is limited by the law which governs commercial nations to deciding in what form it shall be issued, and giving it a name. No government can give to its coins a real value which they do not possess as metals. Attempts have frequently been made by impecunious monarchs to do this, but their success has not been such as to warrant further experiments in this direction. Under the Constitution of the United States Congress has the power to coin money, but this power must be exercised in subordination to a law superior to the Constitution. If it should, as it has the Constitutional authority to do, cause eagles to be coined containing no more pure gold than is now contained in half-eagles, and should make them by law a legal tender for ten dollars, their real and commercial value would still be but five dollars. By making them a legal tender for ten dollars it would enable debtors in the United States to take advantage of their creditors on contracts existing at the time when the law became operative, but not on subsequent ones. The imposition could not be repeated, as all subsequent contracts would be made to conform to the then existing law. There would simply be a new standard, under which the new eagle would have only one-half the purchasing power of the old one.

Congress has also the power, under the Constitution, not only to coin money, but to regulate the value of foreign coins. For many years after the present Government was formed certain foreign coins were received in payment of duties and were a legal tender, the value thereof being fixed by Congress, according to the gold or silver which they contained, measured by the United States standard. Such coins are no longer a legal tender, nor receivable by the United States in payments ; but in fixing the cost price of articles purchased in foreign countries, which are subject to duties, a value is put upon them according to their mint value. Thus, for instance, in estimating the cost of articles purchased in Great Britain, the pound sterling is estimated at \$4.86 $\frac{65}{100}$. In determining the cost of articles purchased in France the Napoleon, or twenty-franc piece, is estimated at \$3.86 $\frac{6}{10}$, and this valuation is put upon them because they contain the amount of gold represented by these figures. Foreign coins in the United States are, to a certain extent, a commodity, but they differ materially from other commodities ; they have a mintage value and they have also a commercial value as a medium of exchange. If the exchange is in favor of the countries that issued them, or, in other words, if they have more purchasing power in those countries or in other countries where purchases are being made than they have at the mint, they are exported. If they are worth less, including the cost of transmission, they go into the crucible and are transformed into coins of the United States. Congress can regulate the value of foreign coins in transactions in which the Government is a party ; beyond this it is powerless. Their value was not diminished by the change of law which prevented their being received in payment of public dues. It would not be materially affected if they could not be recoined in the United States. They contain a certain quantity of gold, and they will be worth in the market, no matter how they may be treated by the Government, what the gold in them is worth, less the cost and risk of transporting them to other countries. The same rule holds good in regard to United States coins. They are worth in other countries what the metal in them is worth. If needed for purchases or

payments in the United States, they may fetch slightly more, but their value is substantially fixed by the amount of gold or silver which they contain. A very small portion of the coin which is sent from one nation to another is returned unchanged in form to the nation which issued it; nearly all goes to the mints and is recoinced. So true is it that coins are worth only what the metal in them is worth, that gold coins and silver coins, when the amount to be handled is considerable, are weighed instead of being counted, partly for the saving of labor, but mainly for the ascertainment of their exact value; for, notwithstanding the fact that alloy is used in the coinage of gold and silver in order that the coins, by being hardened, may bear the usage to which they are to be subjected, there is considerable abrasion while they are in use, and they do not, for a great length of time, retain their full weight. It is on this account that nations so frequently recoin their own money, so that none shall be in circulation after its value has been, even in a very slight degree, affected by wear. The British Government is very particular on this point. My impression is, that the weight of every sovereign that goes into the Bank of England is tested by a very interesting piece of mechanism, which many of my hearers may have seen at work, which automatically weighs each piece separately and dooms to the melting pot every one whose weight and consequent value has been impaired by abrasion. These simple facts, with which everyone ought to be familiar, should put at rest all questions in regard to the character of money. It is simply gold and silver coin, the value of which depends, not upon the act of the Government that coins it, but upon its intrinsic value, according to a universal standard, which, except for local and subsidiary purposes, cannot be materially changed by any one nation, nor can it be changed by all nations together without great confusion and mischief. No substitute for these metals for coinage and a measure of value has been found, and none is likely to be discovered. As a measure of value, their utility would not be affected by diminished production, although their purchasing power would be. The purchasing power of gold was diminished by the enormous yield of

Californian and Australian mines, but as this diminution of the purchasing power was universal no injury resulted from it. Every dollar which is taken from the mines adds its value to the capital of the world ; some four thousand millions of dollars have been added to this capital since gold was discovered in California, and, although these dollars have cost in labor all they are worth, the world has been greatly the gainer by this vast addition to its permanent wealth.

Gold and silver have a universal and indestructible, although not unchanging, value, and represent more than anything else does the accumulated and active capital of the world. They are not among the commodities that perish in the using; they are wealth, in the largest sense of the word. In discussing officially the currency question in 1866, I made the following remarks, which I trust I may be pardoned for repeating:

An irredeemable, and consequently depreciated, currency, drives out of circulation the currency which is superior to itself. By being made a legal tender, while its real value is not thereby enhanced, it becomes a false and demoralizing standard, under the influence of which prices advance in a ratio disproportionate even to its actual depreciation. Very different from this is that gradual and general advance of prices which is the effect of the increase of the precious metals. The gold and silver obtained in gold and silver producing districts, although they at first advance the prices within those districts, following the course of trade and in obedience to its laws, soon find their way into other countries, and become a part of the common stock of the nations, which increasing in amount by the regular products of the mines and in activity by the growing demands of commerce, advances the prices of labor and commodities throughout the civilized world. Thus, the products of the American, Australian and Russian mines tend first to advance prices in their respective localities, but the operation of trade soon distributes them, and enterprise everywhere feels and responds to the increase of the universal measure of value. All this is healthful because slow, permanent and universal.

In considering the fact that prices have not increased correspondingly with the increase of gold and silver within the last thirty years, some very intelligent men have come to the conclusion that these metals are only theoretically a measure of value. If they are what is claimed for them, how has it happened, it is asked, that

while their amount in circulation has been nearly doubled within the period named, there has been no corresponding advance in prices? Elaborate tables have been prepared in London, which show that the average prices of twenty-two leading articles in Great Britain were no higher in 1878 than in 1851; that they did advance, by temporary influences, chiefly, I think, by the large exportation of gold from the United States between 1850 and 1864, but gradually fell off again until 1878, when they had receded to the starting point. Now, as some three or four thousand millions of dollars had been added to the world's stock of gold and silver, and there had been no permanent advance in prices, with what propriety, it is asked, can they be regarded a measure of value? It is more triumphantly asked if prices are measured by money, and the United States notes and bank notes have the same influence (as they undoubtedly have) upon local prices as gold and silver, how is the fact to be explained that in the United States property of nearly all kinds is as low, if it is not lower, to-day than it was in 1860, when the volume of currency was two-thirds less? A political economist (which I do not claim to be) before answering the question would say that value and prices are not the same things; that values are the relations which commodities bear to each other, while prices are what the commodities are worth according to an existing standard. While, however, it may be advisable in scientific discussions to draw a line of distinction between them; while it is true that commodities have convertible relations of value, without reference to any standard, and that prices rise and fall, while the standard remains unchanged, values and prices in all business transactions are regarded as having practically the same meaning. What, then, is the explanation of the fact that prices have not permanently risen with the increase of the measure of value? Many minor and temporary causes have been at work to prevent this, but two have been especially influential. Within the last thirty years the commerce of the world has been trebled. By this increase of commerce there has been an increased demand for the precious metals, and a diffusion of them among the nations, which has

tended to preserve and equalize to a great degree their purchasing power. At the same time the prices of most articles in use have been prevented from permanent advancement by an increase of production. These two causes, operating in different ways—the diffusion of gold throughout the world by the demands of rapidly growing international trade, and the enormous increase of production resulting from labor-saving machinery—sufficiently explain what has seemed to many to be inexplicable. Commerce, by diffusing the precious metals, has prevented large reductions in their purchasing power; machinery, by cheapening the cost of manufactures, and, to some extent, of agricultural products, has prevented an advance of prices, and thus, interrupted only by temporary causes, a general equilibrium has been maintained. While, however, the general diffusion of gold and silver tends to give a steadiness to their measuring power, it has not prevented a diminution of it. Gold and silver have undoubtedly been steadily decreasing in power for years, and this decrease may go on, as heretofore, for years to come; but as this decrease will be universal, their quality as a measure of value will not be affected. A paper currency, on the other hand, having no general diffusibility, has a tendency to advance local prices to a much greater degree than specie. Prices in the United States were greatly advanced by a paper currency during the war and after it, and although there is now more specie and paper money in the Treasury, in the banks, and in circulation than ever before, almost everything the value of which is measured by money is down to anti-war prices. Here we have an instance of a great decline of prices without any diminution of currency, of an increase of the purchasing power of money while there is a superabundance of it, and the rates of interest are lower than ever before. There is no mystery in this. During the war, and especially for eight years after its termination, prices were speculative. The crisis of 1873 revealed their fictitious character—the real financial condition of the country. The disasters which followed this crisis were the natural consequences of unwise investments and wanton extravagance; the subsequent and long-

continued depression, the inevitable result of the disasters. The plentifulness of currency did not prevent a decline in prices. It was powerless against the causes which were working in that direction. There has never been a time since 1873 when an increase of paper money would not have aggravated instead of lessening the evils from which the country was suffering. Nothing, therefore, can be more unwise than the effort which is now being made to advance prices, revive industry, and restore prosperity by an increase of paper money.

Prices did advance as a consequence of large additions to the circulating medium between 1865 and 1873. They declined rapidly after the crisis. They are not advancing now because supply is equal to demand on present ratios, because business is not speculative, because reaction has not reacted, and because the policy of the Government in regard to the finances and taxation is not such as to inspire confidence. The condition of the country is abnormal, and the fact that the prices of nearly all commodities and of real estate are low, while currency is abundant, does not in any manner affect the general principle that money is a measure of value.

Gold and silver, in addition to their use as a circulating medium and measure of value, have very great importance in another respect; they are the regulators of trade between nations. They are in some respects to trade what the governor is to the steam engine, showing to the engineer the amount of pressure there is upon the boiler and when that pressure is becoming dangerous. Trade is barter, and gold and silver is needed to regulate it; mainly carried on between nations by an exchange of their productions, the movement of the precious metals, unless prevented by temporary or artificial causes, indicates unerringly how that trade is resulting and on which side is the debit or the credit balance.

The amount of gold and silver in use by commercial nations, as currency or as bullion, is insignificant in comparison with the amount of their foreign exchanges, and no nation can afford to carry on a trade which leaves a continuous balance against it. It is true that the United States do continue to trade with India, and China, and

Brazil, and pay for their purchases chiefly in the precious metals or in exchange on London. This, however, is exceptional, and trade with these nations can be maintained because the amount needed to cover purchases is furnished by the sale of our agricultural productions and our manufactures in Europe. It is not necessary that our trade with any particular nation should be in our favor or not against us, but it is necessary that the balance of our trade with foreign nations (to be settled by shipments of gold and silver) should not in the aggregate be unfavorable. I shall speak more directly and fully on this point when I come to speak of foreign exchange.

International trade being an exchange of national products, something is needed to indicate, before it leads to embarrassment, how this trade is resulting; gold and silver answer this purpose because they are the only articles which have a substantial uniformity of value and are universally desired. The flow of water to a level is not more direct and uniform than is the flow of these metals from the debtor to the creditor nation when there are, as has been said, no temporary or artificial impediments to prevent it. In the absence of such impediments, large balances do not exist, and small balances are settled without embarrassment to the debtor nation. Whatever embarrassment arises in international trade is the result of loans or of a vicious system of credits which postpone settlements until they become difficult, and frequently render payment impossible.

I might here be asked how it happens, if the movement of the precious metal is indicative of the course of trade and the current is from debtor to creditor nations, that Great Britain, the great creditor nation of the world, is frequently so large a loser of gold as to create uneasiness and sometimes panics in London. The explanation is very simple. Great Britain is not only a capitalist, but a money lender. Her gains for a long period, especially between 1830 and 1873, were enormous. All nations paid tribute to her as the great workshop and common carrier of the world, and nearly all became borrowers of the capital to the creation of which they had contributed. For many years her gains

were estimated at from \$750,000,000 to \$1,000,000,000 per annum. In consequence of her great wealth, money has been more abundant, cheaper, and more easily obtained in England than elsewhere, and her loans and discounts have been so liberal as frequently to cause a large outflow of gold. This outflow has, however, been checked and the current turned in her favor by the action of the Bank of England, which, by raising the rate of interest, has rendered London less attractive to borrowers, and by the repayment of temporary loans and the returns of a very large and profitable foreign trade. The time required to effect this change has depended upon the extent to which loans had been made, but it has sooner or later been effected, and usually without much financial disturbance. For the payment of the indemnity exacted by her conqueror, France was a large borrower in London on bills of exchange, which were passed over to the German Government, the proceeds of which as they matured—Germany being at that time preparing to adopt the single standard—were drawn in gold, and the drain became so heavy as to compel the bank to advance the rate of interest, step by step, from three per cent. to nine, while the current market rate was even higher.

The debt relations between the United States and Europe during the last three years have been peculiar. By reason of our diminished importations of foreign goods and our large exports of agricultural products the net balance in our favor, after deducting the cost of freights, the payment of interest on our foreign debt and the expenditures of Americans abroad, has not been less during the period named than \$300,000,000. This large balance, according to the ordinary laws of trade, would have caused a flow of gold from London, the international clearing house, which would not only have seriously embarrassed the Bank of England, but which would have very considerably affected the exchanges of the world, had it not been for the fact that Great Britain and Germany, her debtor, were large holders of United States securities, by the return of which the exchanges have equalized. This, however, does not invalidate the rule that specie is the regulator of interna-

tional trade. It was fortunate for both nations that Great Britain was the holder or controller of our Government bonds and other securities for which there was an active demand in the United States. If this had not been the case Great Britain and the European nations indebted to her would have been compelled either to diminish their purchases of American productions, which would have been injurious to the United States, or to part with large amounts of gold, which would have been embarrassing to them. The liquidation of the balance in our favor was natural and easy; we have been paid for our productions, to a considerable extent, in our own obligations, by which means our foreign indebtedness has been so greatly reduced that it cannot hereafter be troublesome. Our condition is on the whole better than it would have been if gold had come to us instead of our securities, which in foreign hands would be a constant drain upon the country in payment of interest and give cause for apprehension that they might be returned when the country was not in a condition to receive them. I may here remark that there is scarcely a surer indication of the poverty or wealth of a nation than the situation of its public debt. Most nations, at some period of their history, are under the necessity of borrowing of other nations, and the bonds which they issue remain in foreign hands until their people are able to bring them home. France, as I have stated, borrowed largely of the capitalists of Great Britain, at the close of the German war, for the payment of the indemnity; but in the course of two or three years her obligations were purchased from foreign hands by the French people, and to-day the national debt of France, large as it is, is a home debt. It has not been extinguished, or even diminished, by the transfer, but by being held by Frenchmen it is no longer a drain upon her resources. The Government of the United States has made no foreign loan, but during our late civil war, and for some time after its close, large purchases of our bonds were made by foreigners. Three years ago not less, probably, than \$500,000,000 of them were held on the other side of the Atlantic; now the amount held by foreigners does not exceed \$200,000,000. Three hundred million dollars

of United States bonds, which three years ago were the property of Europe, are now owned by the people of the United States, as the French "rentes" are owned by the people of France. Nearly all nations are in debt, rich nations to their own people, poor ones to foreigners. The debt of the United States has become substantially a home debt, and, what is better, it has been largely reduced. One of the brightest pages of our history is that which shows how the reduction of our great war debt was commenced in less than a year after the war was terminated, how its reduction was continued during a period of great business depression and disaster, and is now \$1,000,000,000 less than it was in September, 1865. Notwithstanding the mistakes that have been made, there is no nation which has so creditable a record of the management of its debt.

Of gold and silver as currency merely it is not necessary for me to speak. Their usefulness in this respect is well understood; on this point opinions agree; of their necessity as a basis of bank note circulation I shall speak in another lecture. As a medium of exchange they are of great utility, but as they share this utility with bank notes, bills of exchange, and other representatives of value, in fact, with other commodities, I do not dwell upon them. I have attempted to show merely in this lecture—

Firstly. That nothing but coinage of gold and silver can properly be called money.

Secondly. That the value of coins depends not upon the authority of the Government that stamps them and gives them a name, but upon the quantity of pure metal which they contain. Thus, the Government of the United States establishes the quantity of gold and silver which shall be contained in a gold and silver dollar. The Government of Great Britain, the French Government, in fact, all governments, adopt the same rule in regulating their coinage; beyond this they cannot go.

Thirdly. That gold and silver, whether coin or bullion, are a measure of value, because they possess value in themselves. There can be no absolute or unchanging measure, but gold and silver come nearer to it than anything else, because the supply is limited, and has

never been found, and probably never will be found, to exceed the healthy demand for them for money and the arts. Although their intrinsic and commercial value, or their purchasing power, may be increased or diminished by such causes as have been named, yet, as their value as metals is substantially uniform throughout the world, the increase or decrease of their purchasing power does not affect them as a measure of value. Uniformity and universality of value is what is needed in a standard, and this they possess in an eminent degree.

Fourthly. That they are of great importance in indicating the course of international trade, and are an absolute necessity in the settlement of national balances.

When these truths are understood—and they ought to be understood by everybody—the popular delusion that a Government can make money by promising to pay it, and the monstrous absurdity involved in what is called fiat money and a non-exportable currency will have no advocates.

There is, as I have said, a higher law in finance as well as in morals, opposition to which is powerless; the force of moral law is exhibited as true civilization is extended over the globe; it was especially manifested in the United States in the evils of slavery and the emancipation of slaves. Financial law was violated by the Legal-Tender Acts, from the effects of which the country has suffered severely for years, and will continue to suffer until they are repealed or declared to be invalid. It is contended that money is man's device, and that what man devises man can change or discontinue; but the metals of which it consists are not of man's creation. They are limited in production; they are not subject to corrosion; they can be changed from articles of domestic use into money, and from money to such articles again, without diminution of substance or value. A pound of gold or silver, no matter how small the particles of which it is composed, is worth as much as it would be if it were a solid mass; not so with the precious stones, which depend for their value upon their size. The Koh-i-noor of the British crown, of almost inestimable value in its present form, would be comparatively worthless if broken into quarters or even into

halves. Money is man's device, but there is necessity for it in its present form, and this necessity will continue as long as society exists. Many attempts have been tried to make it out of something else than gold and silver, but all such attempts have been failures, and generally disastrous failures.

I have thus spoken of gold and silver as possessing in themselves a quality which best fitted them for a universal standard, without which foreign trade would be greatly restricted and domestic trade would be unreliable. I repeat what I have said, that they alone are money. If this limited definition had been adhered to, I am quite sure that most of the vagaries and delusions which have been so prevalent, which have troubled, and which still trouble, many of our countrymen, and which it is now so difficult to explode, would never have existed. By the more general definition the masses have been easily persuaded that money could be made by the printing press; that whatever the Government declares to be money and receives as such is money. It is in part owing to this that the United States notes, greenbacks, as they are called, have been so deceptive and still are so dangerous. I do not say that the legal tender quality which was given to them was not necessary for the accomplishment of the object for which they were issued, although this is a point upon which doubt may be reasonably entertained, but there can be no question that the law which created, by these notes, a depreciated and variable standard of value, was productive of great mischief and that it will continue to be mischievous as long as it is in force. It was a violation of a financial and commercial law which is as certain as gravitation, the penalties for the violation of which could not and cannot be escaped.

Fortunately there is something attractive about gold and silver in their independent and intrinsic value. Circulating notes may be more convenient, but they lack the qualities which make gold and silver precious. There is and always must be some uncertainty about them to lessen their attractiveness. If notes are issued by a Government, their value depends not only upon the solvency of the Government, but upon its honor;

issued by a bank, their value rests upon the ability of the bank to redeem them, in the convertible value of the securities pledged for their redemption.

It is only by the maintenance of this distinction, that the subject of a mixed currency can be properly discussed. Men soon forget their troubles, and it is fortunate that it is so, but the causes of them should never be forgotten. It is not pleasant for us to think of the disasters which came upon the country from 1873 to 1878, but we should remember that these disasters, if not altogether the result of a new and vicious standard of value established by the Legal-Tender Acts, were greatly increased and intensified by it. The legal-tender notes were popular even when they were greatly depreciated, because they advanced prices and gave to the country an appearance of prosperity which was as seductive as it was unreal. They are popular now, because they are redeemable, but their issue was a violation of fundamental law, and this violation is none the less existent, because they are now convertible into gold. I shall speak more fully upon these notes when I come to speak about the representatives of money. I would here merely note, in conclusion, an interesting fact, which illustrates the relations which commercial nations have to each other, and shows how legislation, which seems to be local, becomes extensive in its influences. The very great advance of prices in the United States caused by the large issue of Government notes and bank notes was followed by an advance of prices in the commercial countries of Europe, produced not altogether by the necessary demand in the United States for most articles of consumption during the war, and the unnecessary demand for many articles of foreign production after the war was over, but by the exportation of the products of our gold and silver mines, for which there was no use at home except for the payment of duties and the interest on the public debt.

Not less than \$300,000,000 of gold and silver went to Europe, chiefly to London, between 1862 and 1877, which would not have gone there if the specie standard had alone existed in the United States. Thus the amount of the precious metals was increased in Europe

by our disuse of them, and as their purchasing power is increased by their scarcity and diminished by their abundance, the United States notes were a disturbing element abroad as well as at home.

SECOND LECTURE.

BI-METALLIC MONEY.

Hitherto I have spoken of coined gold and silver as constituting what might be called a joint standard or measure of value. It will be seen, however, as I proceed, that it is impossible, without the co-operation of foreign nations, for the United States to give to them for any considerable period a proportionate value which would enable them to work harmoniously together. All efforts to accomplish this have been ineffectual. They have had a constant tendency to push each other out of circulation. Circumstances have been constantly occurring to make sometimes the one and sometimes the other more valuable abroad than at home, and to cause the exportation of that which at the time possessed the greater commercial value. This variation in the comparative value of the two metals has, in times past, been mainly caused by the difference in the comparative production of the gold and silver mines. Silver as compared with gold was cheapened by the large yield of the silver mines of Mexico and South America; gold was cheapened as compared with silver by the enormous production of the gold mines of California and Australia. The present depreciation of silver is attributable partly to increased production, but mainly to a combination of causes to which I shall allude farther on.

Let us look for a few moments at some of the efforts made by the Government of the United States to give to these metals a comparative equality of value.

The first coinage act, passed by Congress in 1792, fixed the ratio which silver should bear to gold at fifteen of the former to one of the latter. In other words, fifteen ounces of pure silver were made equal to an ounce of pure gold, the eagle to contain $247\frac{1}{2}$ grains of pure

and 270 grains of standard gold; the silver dollar to be of the same value as the Spanish dollar then in circulation, and to contain $371\frac{1}{4}$ grains of pure and 416 grains of standard silver, the standard being the weight of the coin after it had been alloyed.

The ratio of fifteen to one corresponded at the time with the relative value of the two metals in those countries in which both were in use. It was soon discovered, however, that this ratio was not an equal one, that an ounce of gold was worth more, would purchase more, in those countries with which the United States had commercial intercourse, than fifteen ounces of silver. Hence, according to the invariable law, by the operation of which the inferior currency forces the superior out of circulation, gold was exported and silver remained at home. Under this law there was a steady outflow of gold, until it was interrupted by the act of 1834, which diminished the weight of eagles from $247\frac{1}{2}$ grains pure and 270 grains standard to 232 grains pure and 258 standard.

This change proved to be too radical; silver then became comparatively more valuable than gold and an article of export, as gold had been under the act of 1792. Having a greater purchasing power in other countries than at home, silver was exported until it became so scarce that very little was left for change. By the act of 1837 the silver dollar was reduced in standard weight from 416 grains to $412\frac{1}{2}$. This reduction in the weight checked, but did not stop, the exportation of silver dollars, which continued until 1853, when the coinage of dollars was discontinued, and a decided step taken towards a single standard. By the act of February 21, 1853, while the dollar was not demonetized or reduced in weight, half dollars were reduced from $206\frac{1}{4}$ grains to 192, the smaller coins in the same proportion, and their legal tender quality was limited to five dollars. The silver dollar, the Dollar of the Fathers, as it is called, thus became obsolete; gold became practically the single standard, and silver a subsidiary currency. Previous to the passage of this act the Government had not been the purchaser of bullion. The business of the mint had been to receive such bullion or

foreign coin, whether gold or silver, as might be brought to it, and to convert the same into coin of the United States. After the passage of this act, and in conformity with its provisions, the Government purchased all the silver used for coinage, limiting the amount to the requirements of the domestic trade; and as there was no demand for this depreciated coin for exportation, it continued to perform the office of a subsidiary currency until it was driven out of circulation by the fractional paper currency of the Government.

By the act of February 12, 1873, the legal tender character of all silver coins was limited to \$5, and the silver dollar, like the fractions thereof, was practically demonetized, so that, had it not been for the United States notes, which were a legal tender for all debts, public or private, except for the payment of duties on imports and the interest on the public debt, there would have been in the United States a single standard only, and that the gold standard.

By the act of February 28, 1878, silver dollars, the coinage of which had been discontinued after the passage of the act of 1853, and which had been deprived of their legal tender quality for any sum over \$5 by the act of February 12, 1873, were again made legal tender at their nominal value (their real value at $412\frac{1}{2}$ grains being ten per cent. less than their nominal value) for all debts, public or private, except where there was a contract for the payment of gold. The same act made it the duty of the Secretary of the Treasury to purchase silver at the market price, not less than two million dollars' worth and not more than four million dollars' worth per month, and to cause the same to be coined monthly, as fast as purchased, into dollars. Up to the passage of this act it had been the policy of Congress in their efforts to maintain a double standard to make the ratio between gold and silver coins as nearly equal as possible, according to the commercial value of the two metals. This policy was then reversed and a dollar, worth commercially but ninety cents, was made, so far as the law could make it so, the equivalent of a gold dollar.

Let me recapitulate. The first coinage act, as has been stated, made the ratio of silver to gold as fifteen to

one, that being the ratio in Europe. We have seen that this did not prove to be an equalizing ratio; an ounce of gold proved to be worth more than fifteen ounces of silver in Europe, and the gold coins went where they were more valuable than at home.

In 1834, to prevent this outflow of gold and to equalize the comparative value of the two coins, the gold standard was degraded between six and seven per cent., the standard weight of the eagle being reduced from 270 grains to 258, no change being made in silver. This reduction in the value of the eagle increased comparatively the value of silver; gold became the inferior currency, and staid at home; silver the superior currency, and went abroad. In 1837 the silver standard was again changed, and the weight of a silver dollar was reduced from 416 grains to $412\frac{1}{2}$, but no change was made in gold. In all the coinage acts up to 1853, the aim of Congress was to establish a standard for both metals similar to the European standard; to make the relative legal value of gold and silver coins correspond with the commercial value of the metals out of which they were coined. As this aim of Congress had not been accomplished, silver coin was practically demonetized by the act of February 21, 1853, which made it a subsidiary currency by the discontinuance of the coinage of dollars and the degradation of halves and the smaller coins. The act of 1873, of which so much complaint has been made, as an act by which the silver dollar was demonetized, was in fact but the confirmation of the act of 1853, which put a stop to the coinage of dollars and limited the legal tender quality of half dollars and the fractions thereof to \$5. From 1853 to 1873 silver dollars had ceased to be coined; those previously coined continued to be a legal tender, but there were so few of them in existence that the passage of the act putting them on a level with the smaller coins was a matter of no interest to the public. If any wrong was done to silver, it was done by the act of 1853. In the effort to maintain a double standard previous to the act of 1878, Congress had been careful, as has been stated, to make gold and silver coins correspond in their legal value with their commercial value. By this act a wide departure was

made in the established policy of the Government. The fact that silver was declining in market value, that at the very time when the bill was under consideration, the silver to be contained in the dollar, which was to be restored to its former rank, could be purchased for ninety cents, was utterly ignored, and we have to-day, as silver has continued to decline, a silver dollar worth as bullion 84.76 cents, but yet possessing in the United States the legal value of the gold dollar. The bill which put no limitation, except the monthly coinage, upon the amount that might be coined, and made the ratio between silver and gold sixteen to one instead of $15\frac{1}{2}$, which was the ratio in France and other bi-metallic countries, was hastily passed under the influence of political pressure. Its passage over the veto of the President, without that consideration which courtesy requires to be given to his messages, was one of the strangest occurrences in the history of Federal legislation. So far the act has done little harm. The condition of the foreign exchanges, the discretion lodged in the hands of the Secretary, the fact that the Government coins only its own silver, have prevented the mischief which was apprehended, and may prevent serious mischief until the act is modified by such a limitation of the coinage as will, with the retirement of the small notes, raise silver to a parity with gold.

There ought not to be any doubt that this law will be amended before silver drives gold out of circulation, and causes its exportation. The country can neither afford to lose its gold nor to have its metallic standard of value degraded. The careful consideration and definite settlement of this great question cannot be long deferred with safety. There should be no uncertainty as to what the standard is to be, a single or double standard; a single standard of gold or of silver, or a double standard of gold and silver, with equal proportional value, as far as their value can be equalized. This is one of the important questions now before the country. It is a question which troubles other nations as well as our own. Upon its wise settlement great interests depend.

I have already spoken of the changes in the comparative legal value of gold and silver since the first coinage

act was passed, in 1792. Let us look at the value of silver as compared with that of gold, taking the price of silver in London, and estimating the weight of a dollar at $412\frac{1}{2}$ grains, and going back no farther than 1857. Silver at the price of $58\frac{9}{1000}$ pence per ounce makes the silver dollar of $412\frac{1}{2}$ grains par with gold.

AVERAGE PRICE OF SILVER IN LONDON.

Year.	Per ounce.	Making the dollar worth—	Year.	Per ounce.	Making the dollar worth—
	<i>Pence.</i>	<i>Cents.</i>		<i>Pence.</i>	<i>Cents.</i>
1857.....	$61\frac{1}{2}$	104.69	1868.....	$60\frac{1}{2}$	102.57
1858.....	$61\frac{5}{16}$	103.95	1869.....	$60\frac{7}{16}$	102.47
1859.....	$62\frac{1}{16}$	105.22	1870.....	$60\frac{9}{16}$	102.67
1860.....	$61\frac{1}{16}$	104.58	1871.....	$60\frac{1}{2}$	102.59
1861.....	$60\frac{1}{16}$	103.10	1872.....	$60\frac{1}{16}$	102.25
1862.....	$61\frac{7}{16}$	104.16	1873.....	59 $\frac{1}{2}$	100.46
1863.....	$61\frac{1}{2}$	104.06	1874.....	$58\frac{1}{16}$	98.86
1864.....	$61\frac{1}{2}$	104.06	1875.....	56 $\frac{1}{2}$	96.43
1865.....	$61\frac{1}{16}$	103.52	1876.....	52 $\frac{1}{2}$	89.22
1866.....	61 $\frac{1}{2}$	103.63	1877.....	$54\frac{3}{16}$	92.93
1867.....	$60\frac{9}{16}$	102.67			

In 1878 silver still further declined, but I am not prepared to give the exact average price.

It is thus seen that from 1857 to 1873 the silver dollar of $412\frac{1}{2}$ grains was worth more than the gold dollar; that for six years it exceeded it in value by over four per cent., and that from 1857 it was at no time worth less until 1874. The decline then became rapid, the fall being from 100.46, in 1873, to 89.22, in 1876. In 1877 it advanced to 92.93, and fell off in 1878 to about 86 cents. At the present time a silver dollar, according to the United States standard weight, is worth, as has been stated, 84.76 cents.

For seventeen years, during the period referred to, silver was more valuable than gold; for five years, less valuable. Its present depreciation is so great as to create anxiety not only in those countries in which it is the sole standard, or the standard jointly with gold, but in the two countries in which it has been absolutely demonetized. The serious financial question, one of the most serious that has ever been forced upon the consideration of the nations, is, How shall this decline be ar-

rested so that silver shall not cease to be money? It is very obvious that there is not gold enough in the world for circulation, for a basis for circulating notes and for the settlement of international balances, without such an increase in its value as would reduce the price of everything measured by it from thirty to forty per cent., while, at the same time, the burden of debt, as three-eighths of the specie of the Western nations is silver, would be increased in the same ratio. The universal demonetization of it may be regarded, therefore, as impracticable.

It could not be demonetized by other nations, as it has been by Germany, without consequences too serious to be contemplated. If there were no debts to be paid in a currency more valuable than that in use at the time they were contracted, the gold standard might be so elevated as to make gold equal to the wants of mankind, without prejudice to anybody or any interest whatever, except so far as it would lessen international trade, which, however, to the people of the United State, is a very important consideration; but, as the world is covered all over with debts, so great an appreciation of the value of gold as that which would result from the general disuse of silver would be overwhelmingly disastrous.

As, therefore, there is not gold enough or likely to be enough for the purposes for which money is used, one of two things must happen, the bi-metallic standard must either be adopted by all nations or some must adopt the single standard of gold and others the single standard of silver, in which event rich nations would have the superior metal for their standard and poor nations the inferior metal for theirs. Which, according to any proportionate value heretofore established, will ultimately be the superior and which the inferior depends upon circumstances that can not be foreseen. It has been shown that for a long period silver not only held its own with gold, but that it has been more frequently above than below the gold standard. Its present degradation is attributable to a combination of causes:

Firstly, to the unusual production of the silver mines.

Secondly, to the demonetization of silver by the great German Empire, and the limitation put upon the coin-

age of it by the Silver Monetary Union, established in 1866 by France, Belgium, Italy, Switzerland and Greece, which limitation was at first agreed upon to make the silver currency uniform and to prevent its exportation, and has been continued from year to year for the purpose of checking its depreciation.*

Thirdly, to the dulness of trade in India and to the large amount payable by India for the disbursements, amounting to some \$75,000,000 a year, of the home Government, which have checked the flow of silver into that great silver reservoir, whither silver has been steadily flowing since commercial intercourse was opened between the Oriental and Western nations. The silver committee of the House of Commons, in 1876, in speaking of the depreciation of silver, said:

The yearly amount payable by India for the disbursements of the home government has risen since the Indian mutiny from 5,000,000 to 15,000,000 pounds sterling, a difference of which the magnitude will be appreciated, when it is remembered that it is considerably more than half of the total amount of silver annually produced.

Fourthly, to the apprehension that other nations may follow the example of Germany and adopt the gold standard.

All of these causes have been at work in producing the existing degradation of silver, and perhaps the surprise ought not to be that silver has been degraded, but that the degradation has not been greater. Some of these causes may be permanent, but it is obvious that most of them will be temporary. It is true that for some years past the yeild of the silver mines has been rapidly gaining upon that of the gold mines, and this may continue to be the case for some years, but there is no certainty of it. It is not likely that there will be gold discoveries equal to those made in California and Australia, but the gold fields of California and Australia have not been exhausted. Hydraulic mining is yet in its infancy, and

* For an explanation of the objects for which the Latin Union was formed, see a letter in the *New York Evening Post* of the 29th of November last from George Walker, one of the ablest advocates of bi-metallic money in this country or any other.

plentiful stores may yet be found as enterprise pushes its way into regions hitherto but partially explored. Besides, the decline in the prices of silver must inevitably tend to check its production. There are many mines which could be profitably worked when silver was worth fifty-nine pence per ounce, as it was in 1873, in which work must cease if the present low prices continue to prevail. If, however, there be good ground for the apprehension that the gold supply is to be steadily diminishing, then, unless the demand for metallic money should decrease also, which is not probable, the impracticability of a general demonetization of silver must be obvious to everybody.

Although silver has been legally demonetized in Germany for several years, the work necessary to establish practically the gold standard is still going on. Germany is still a seller of silver and a purchaser of gold. No one can tell how much of the former she has yet to dispose of, but there is a limit to her disturbing power over the money markets of the world. This limit must soon be reached, and when it is reached, one of the most powerful causes of the degradation of silver will disappear, for her experiment in the demonetization of silver has been too costly to be imitated voluntarily by other European States. It would not have been attempted when it was, had it not been for the French indemnity which was paid in gold; but with even this aid to the adoption of the single standard, her direct loss in the sale of silver has been very large, while her losses by the disturbances of business and the unsettlement of prices have been still larger. She has paid, she is still paying, dearly for her efforts to place herself alongside of Great Britain, which has been hitherto the only nation in the world in which the single gold standard has been maintained. The great German statesman is not apt to make mistakes in matters affecting German interests, but a great mistake was made (and he is regarded as being responsible for it) in the demonetization of silver throughout the empire, composed as it is of States in which silver had been almost the exclusive currency. He apparently overestimated, as most Germans overestimated, the value of the French indemnity, which, in

fact, has proved to be the reverse of enrichment to Germany. It produced a fanaticism of speculation in many parts of that country, which scarcely had a counterpart in the United States in our period of speculative mania. Germany is undoubtedly in a worse financial condition than she would have been had no money indemnity been extorted from France.

It has seemed to many a very extraordinary fact that France, crushed by the Germans, deprived of two of her valuable provinces, forced to pay the enormous sum of a thousand million dollars at the period of her greatest humiliation, was nevertheless in two years after the war was closed much more prosperous than the conquering nation, the recipient of the indemnity, extended in territory, and consolidated into an empire which in military power exceeds any other nation in the world. The explanation is not difficult.

France is a fertile country and varied in its productions, and her lands are divided among 6,000,000 of her people. Three-quarters of her circulating medium are gold and silver, of which she holds a greater amount than any Western nation. Her people are tasteful, industrious, thrifty. Rarely aiming to become suddenly rich, they are not speculative; they are impulsive, but prudent; having full confidence in France, no matter how governed, they hoard their earnings until they can put them into French securities, and consequently they never suffer by making deposits in unsafe banks and savings institutions; the result of all which is that France is rich, notwithstanding the drain upon her population and resources by the destructive wars in which she has been engaged from the commencement of her history.

The Germans are also industrious and fairly frugal, but they are less skilful and more speculative than the French, and their agricultural products are less varied and valuable. Germany is a great empire, but compared with France or Great Britain or the United States, she is poor, and the radical change in her currency, which was commenced in 1871 and is still going on, has undoubtedly been the cause of great embarrassment to her people. Her experiment in demonetizing silver

was a bold one, bolder than sagacious. Great Britain is able to maintain the single gold standard by her great wealth and her supremacy as a creditor and commercial nation. Germany has no such monetary or commercial position, and the difficulties in the way of her accomplishing what she has undertaken are daily becoming more and more manifest. She endeavors to retain her gold coinage by high rates of interest, in which she is only partially successful, while these high rates of interest are oppressing her debtors, diminishing her foreign trade and affecting injuriously her home industries. Great Britain stands alone in a successful effort to demonetize silver, but even she has not been uniform in her action.

India has not escaped entirely the trouble occasioned by the efforts of the British Government to change her standard. From time immemorial gold was used to some extent in that populous country, but in 1852 so greatly had gold declined in comparative value with silver and so strong was the apprehension of further decline that the Government refused to receive it at the treasuries, and thus practically demonetized it in India. During the late civil war in the United States the cotton spinners of England were compelled to look to India for a large part of their cotton supplies, and as gold, having been demonetized, could not be used there without considerable loss, there was a demand on their part for silver, and this demand became at last so great as to appreciate it throughout Europe. More than the world's annual product of silver between 1861 and 1864 went to India. The demonetization of gold in India had an effect upon European markets and international exchanges, like that produced by the German demonetization of silver.

The panic—for it was nothing less—created by the wonderful yield of the gold mines of California and Australia caused Holland to demonetize gold, and induced Belgium to take preliminary measures for demonetizing it also. The depreciation of silver has recently caused both nations to consider the expediency of the demonetization of that metal, but it is quite evident that the example of Germany in demonetizing silver will not be

followed by these or other European States unless they are compelled to follow it, and when she ceases to sell silver one of the chief reasons for the continuance of the agreement between the Latin nations for the limitation of silver coinage will cease also. The London *Economist* in 1876 expressed the opinion that the Latin Union must either soon coin silver without limit or demonetize it altogether. There are certainly no present indications that the latter will be attempted.

Nor is the falling off of the trade between the Oriental and Western nations likely to be permanent; on the contrary, that trade is quite sure to revive by the influence of returning prosperity to the United States, which is now observable, and by the consequent return of prosperity to other commercial countries. So closely are nations brought together in these days of steam power and electricity, that no great nation can be in trouble without that trouble being felt by other nations; nor can any nation in the great family of nations be for any considerable period alone prosperous. As the terrible distress, which came over the United States mainly by the war and over issues of paper money, affected injuriously all other nations, so will other nations feel the beneficial influences of a revival here.

It is a mistaken notion that any country can be permanently benefited by the disasters of others; on the contrary, there is a community of interests between nations, no matter how widely separated geographically or by differences in their governmental institutions. Notwithstanding the jealousies which exist between them, the political antagonism which separates them, and the ambition which leads them to struggle for superiority, there is, as far as trade is concerned, such an international brotherhood that no great financial depression can take place in one country without other countries feeling it to a greater or lesser extent. The disappearance of the causes which I have mentioned will undoubtedly not only check the decline of silver, but give to it an upward turn.

What, then, should be the action of the United States? Should she continue the double standard without limiting the coinage of silver, notwithstanding

the adoption of the single gold standard by Germany and the limited coinage by the Latin States? This she cannot afford to do. We have seen that there is a tendency to constant fluctuations in the relative value of the two metals; that the cheaper drives the dearer out of circulation. These fluctuations will continue as long as silver is a commodity in Great Britain and Germany and a subsidiary currency in the Latin Union (for such their restriction of its coinage practically makes it); they would disappear to a great extent, if not absolutely, if bi-metallic money should become universal. As the great producing silver country of the world, the United States has a very decided interest in the value of silver, but not to such an extent as to compensate for the losses which must be sustained by a separate effort to appreciate it, by making it, without a limitation of the coinage, a joint standard with gold. We cannot without such limitation, or the co-operation of at least the leading powers in Europe, make the two metals comparatively equal in value. One or the other will go abroad, and that one, for a period, no one can tell how long, will be gold. We should gain nothing, and might lose much, by independent efforts to maintain a full double standard. We should not only run the risk of having no more money, but also the risk of having less in value than we should have if we restricted the coinage of silver. In the proportion which silver is forced into circulation will gold go out of circulation. The silver act of 1878 would be a practical demonetization of gold, but for the very favorable condition of our foreign trade and the fact that the Government coins no silver except what it owns, and leaves a large discretion in the hands of the Secretary of the Treasury. Under the existing policy of the controlling powers of Europe the nations of the world must be divided, as has been said, on this great question into two classes: those which adopt the gold standard with restrictions upon the coinage of silver and those which adhere to the silver standard alone. The United States, as a creditor nation, can choose her own fellowship and position. As to what that choice will be, the respect I have for the sagacity of my own countrymen relieves me from doubt.

But under existing circumstances I think it perfectly clear that the United States, while maintaining the double standard, should limit the amount of silver to be put in circulation, so as to prevent it from depreciating; it is also perfectly clear that whatever influence she has should be exerted to make bi-metallic money the universal money. The indications are very decided that all Western nations will be eventually forced to adopt the double standard. As long as they are divided in policy the nations that practically maintain the superior standard will have a decided advantage in commercial intercourse over those nations that adhere to the inferior one. A nation which is compelled to pay the balances against it in a currency superior in value to its own, cannot fail to be the loser. The international commerce of the world is rapidly growing. It has been more than doubled within the last twenty years, and, notwithstanding the enormous transactions by bills of exchange, there must be a steadily increasing demand for money. Can this demand be satisfied by the use of a single metal, or can it be satisfied by the use of gold by one set of nations and the use of silver by another? This is a question which greatly interests all nations and divides the opinion of statesmen and economists. It is a question the proper decision of which will be aided by discussion, but it will be eventually decided by national necessities. The indications, as I have said, now point to an ultimate decision in favor of bi-metallic money without restrictions upon the coinage of silver; for that decision the United States can afford to wait. But while as a creditor nation she can command the best, she should be ready to join other nations in increasing the metallic currency of the world by giving to silver everywhere the character of money.

The interests of commerce, the growing fellowship between nations, the result of increased and increasing facilities of intercommunication, require that all national barriers should be removed. The difference in their respective currencies is one of these barriers.

If it were proper for me to advise the representatives of the people in Congress, my advice would be that all notes less than five dollars should within one year be

withdrawn from circulation, and in two or three years the five dollar notes also; that the coinage of not only one dollar gold pieces, but of quarter eagles, should be discontinued, not at the present ratio of gold, but according to the ratio adopted by other bi-metallic countries, until the country is fully supplied with a local silver currency. There are now in circulation in the United States upwards of two hundred millions of notes of the denomination of five dollars and under. As these were retired, silver coin would from necessity take their place. I would advise that the coinage of silver be continued as long as silver can maintain a parity with gold. Small notes are a great convenience, but the convenience of individuals should be subordinate to the public good. As long as they remain in circulation all efforts to introduce silver as a local currency will be abortive. Notes are not money, but promises to pay it—mere evidences of debt. By filling the country with the precious metals not only would the wealth of the country be increased, but the danger of a suspension of specie payment, which is always a shock to credit and a detriment to productive industry, would be lessened, if not absolutely avoided. Nor is there any danger of a superabundance of metallic money. If by the adoption of a double standard and an increase in the productions of the mines there should be an excess, and the rates of interest should be lessened, lenders would be the losers, but borrowers would be the gainers, and they are not only a majority, but they are the most enterprising and useful men in all communities. There is, however, no danger of such an excess. The need of money increases with the growing demands of commerce, and every dollar which is taken from the mines costs its value in the labor expended in obtaining it.

I would also advise that the Secretary of State open at once a correspondence with the leading European States, through our representatives in those States, for the purpose of effecting, by treaty, a combination for the general use of bi-metallic money, at such a comparative ratio as might be agreed upon. If our distinguished premier, Mr. Evarts, taking the lead in the negotiation, should succeed in bringing about a settlement of this very im-

portant and troublesome international question, he would acquire a world-wide reputation, in comparison with which his triumphs at the bar and in the council chamber would be insignificant.

The alarm over what is called the excessive production of silver in the United States is groundless. Since 1848 the gold product of the country had amounted at the end of last year to \$1,462,825,000, while the silver product had only come up to \$379,450,000.

Mr. Gladstone, in a letter to the Secretary of the Bullion Club of New York, under the date of the 3d of March last, said : " Debts ought to be paid in a not less valuable medium than that in which they were contracted." This is unquestionably true. Contracts, and especially those for the enforcement of which no legal power exists, as is the case with regard to the debts of sovereign States, should be fulfilled, not only according to the letter of the law, but according to the understanding between the contracting parties. The bonds of the United States were sold when gold was practically the standard, and with the understanding between the Government and the purchasers, confirmed since by law, that they would be paid in gold. These bonds could not, therefore, be called in and redeemed in a less valuable currency than gold without a violation of a contract and national dishonor. The same is true in regard to the debt of Great Britain. Although most of it was contracted when the double standard existed, it has, by the adoption of the single standard, been recognized and treated for so many years as a debt payable in gold that the payment of the interest (the payment of the principal is not even contemplated as among possibilities) by the British Government in anything less valuable than gold would put an indelible stain upon her character and be a death blow to her financial prestige. The French debt, on the other hand, was contracted when the double standard existed in France, and, as it still exists there, this debt could be paid either in gold or silver without a violation of contract or national discredit. France, however, so preserves the parity of the two metals that, although probably five or six hundred of the thirteen hundred millions of money in her bank

and among the people is silver, no loss is sustained by the payment of the interest upon her debt in gold. Practically, however, the interest upon the British debt is paid in a medium of far less value than that in which the debt was contracted. It is paid in gold, but gold has very much less purchasing power than it had when the debt came into existence. The burden of the British debt has been greatly reduced by the depreciation of gold, resulting from increased production. The gold discoveries of California and Australia have been a God send to the British Government and the British taxpayers; what they have been to the holders of British securities is a different thing altogether. This diminution of the value of gold has been the result of natural causes but the effect is the same upon the holders of consols as it would be if the depreciation had been produced by an act of Parliament.

Mr. Gladstone, however, went on to say that "the double standard is not in strictness any standard at all." This might be true if the word "standard" was used in the same sense in regard to money that it is when used in regard to weights and measures. I wish the distinguished political economist, Mr. Dunbar, would take it upon himself (no one is certainly more competent) to introduce a substitute for the word "standard," which would more properly define its meaning when applied to the precious metals. The yard stick and the pound weight are merely the instruments by which quantities are determined, and they must be maintained with exactness; they have no other use or value. Gold and silver, on the other hand, are valuable in themselves as well as by being standards. The double standard, or what is the same thing, the alternative standard, is in strictness the money standard in France, in Belgium, and now also in Holland. What the interests of commercial nations demand is, that there should be international accord in regard to their comparative value. Prior to the gold discoveries in California and Australia, the currency of France was almost exclusively silver. As the result of these discoveries, gold declined and silver advanced in comparative value. France, therefore, sold large amounts of silver at a premium and

bought gold. She could not have done this had it not been for the fact that the large productions of the gold mines of California and Australia created a gold panic which would not have existed had gold been in general use throughout the European nations. Had it been in such use, the gold, which was for a time produced in unusual quantities, would have been quietly absorbed without depreciation or financial disturbance. It was the depreciation of gold that caused Great Britain to demonetize it in India, the result of which was, as has been shown, that during the civil war in the United States, when the British cotton spinners were looking to India for cotton supplies, there was a demand for silver for the purchase of India cotton, which caused not only a great disturbance of the trade of Great Britain, but unnatural changes in the comparative value of the two metals throughout the commercial world. If the policy of Great Britain in regard to the use of gold in India had not been changed; if gold as well as silver could have been used in the purchase of India cotton, British trade would not have suffered and the money markets of Europe would not have been disturbed by the appreciation of silver.

The production of silver in the United States has been for some years, and is likely to continue to be for some years to come, very large; but the unusual production of silver in the United States would not have depreciated silver to any considerable extent, and would not continue to depreciate it, if Germany had not demonetized it and were not still a seller. It has not been the production of our silver mines, but the sales that have been made by Germany, and those which she must continue to make, in order to establish the gold standard, the unknown quantity which she has yet to dispose of, that has been and still is so potent in producing the depreciation of silver. Great Britain alone, as has been stated, has successfully adopted and maintained the single gold standard. Germany has adopted it, but her ability to maintain it is still, at least, questionable; nor is it by any means certain that Great Britain has been the gainer by the adoption of the single standard. In order to prevent her gold reserve from going below the

point of safety, the Bank of England has been constantly under the necessity of changing her rates of interest. There have been years when these changes have been made almost every month, to the prejudice of British interests. There have been times when the arrival of gold shipments from Australia have been looked for with anxiety, when the loss of the gold on a single steamer would have produced a panic in London. The large receipts of gold from the United States in 1866 (the Government having sold some thirty millions in a single day), the most of which went to England, saved the bank from suspension. What would have been her condition if gold had come to the United States, instead of bonds, within the last two years, it is not difficult to conceive.

Against the opinion of Mr. Gladstone, that "in strictness the double standard is no standard at all," let me place the opinion of a still wiser statesman. Alexander Hamilton, in his report of 1792, said : "Upon the whole, it seems to me most desirable not to attach the unit exclusively to either metal, because this cannot be done effectually without destroying the character of one of them as money, and so reduce it to the character of mere merchandise. To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from the comparison of the benefits of a full with the evils of a scanty circulation."

One of the most common objections to the double standard is the impossibility of preventing fluctuations in the comparative value of the two metals. It is contended that the nation that uses both as a standard incurs a double risk of losing, at one time by the depreciation of gold, at another time by the depreciation of silver ; that, as the double standard is only an alternative standard, it must lose gold when gold becomes comparatively more valuable than silver and lose silver when silver becomes more valuable than gold ; that a nation which uses but one standard is subject to but one of these controlling influences instead of two. But are not these fluctuations attributable to the fact that gold and silver are commodities in some nations and money in

others? If both were money, and of the same comparative value in all nations, would not the fluctuations and the risk be reduced to a minimum? Might they not disappear altogether? If the gold and silver now in use by commercial nations were subject to the same influences, would there not be a greater steadiness in their own value and in the value of all commodities measured by them than is now possible?

The certain preventive of fluctuations in the comparative value of the two metals will be found in the diffusion of both throughout the globe, and this diffusion depends upon their becoming a joint standard of value.

I have thus glanced at a very important and interesting subject; a proper discussion of it would far exceed the limits of a lecture. It may be proper for me to say in conclusion that without having given to the subject of bi-metallic money the careful consideration which it merited, I had publicly, in various ways, expressed the opinion that the world had outgrown the need of silver as money; but, as others thought differently, I felt it to be my duty in the preparation of this lecture—a duty which I owed to those who might listen to me and to myself—to consider the subject fairly, and to go where my convictions might lead me, regardless of any opinions I might have formed and expressed. At the outset I was met by the fact that the circulation of the oriental nations is almost exclusively silver; that more than one-third of the money of the Western nations is silver also. This fact, together with the probability that such nations as Russia and Italy, in which depreciated paper is chiefly in use, and the South American States, in which metallic money is unknown, would at no distant day adopt a specie standard, led me to revise my opinions, the result of which was the conclusion that the universal demonetization of silver would be absolutely impracticable, and that international trade would be facilitated and increased, and the progress of civilization would be advanced by the use, by all nations, of bi-metallic money. It is not a pleasant thing for me to be compelled to acknowledge thus publicly a change of opinion upon a very important subject, but I console myself with the reflection that there is no merit in mere

consistency; that it is much better to be right than to be consistent. But while I think that bi-metallic money ought to be, and that it will eventually become, the universal money, I regard the act of 1878 as being a grand mistake. Nothing, it seems to me, can be more unwise on the part of those who desire, as I do, that there should be an abundance of real money in the United States, than the effort which they are making to increase the supply by a full remonetization of silver without regard to the action of other commercial States. To the extent that silver, in a ratio that renders it less valuable than gold, is forced into circulation, will gold go out of circulation. What we are to gain by substituting silver for gold, the at present inferior for the superior metal, I am unable to perceive. We have seen that gold and silver will not circulate together unless there is a parity of commercial value between them, and nothing is more certain than that this parity, with no restrictions upon the coinage of silver, cannot be maintained in the United States without the co-operation of the leading nations of Europe.

Our recent silver commission was a failure, because the act of 1878 fixed the relative value of silver to gold at sixteen to one, while the ratio of the Latin Union was $15\frac{1}{2}$ to one. Having no silver in circulation except as a subsidiary currency, we adopted a standard differing materially from that of the bi-metallic States, which have a circulation of many millions, and then invited them to a conference. The failure of a conference under such circumstances it required no spirit of prophecy to predict.

THIRD LECTURE.

THE REPRESENTATIVES OF MONEY.

In my second lecture, I spoke of gold and silver, and especially of their comparative value. The conclusion reached was, that not only are both needed as a circulating medium and measure of value, but that all nations, at least all Western nations, will eventually be com-

pelled to adopt the double standard. The apprehension that the depreciation of silver will increase, or even continue for any considerable time, has, in my judgment, no better foundation than that which existed in 1852 in regard to the depreciation of gold. The difference in the yield of gold and silver mines and other causes have conspired in the past, and may conspire in the future, to give to the two metals, sometimes to the one, sometimes to the other, superior value ; but in all probability this superiority will be only temporary ; it certainly will be when both are used as money by all the leading commercial nations. The wisdom which made both a measure of value and established between them comparative relations is vindicated by their history. While their comparative commercial value has been subject to fluctuations and can never be absolutely fixed by human law, a higher law has heretofore prevented, and will continue to prevent, these fluctuations from becoming so great as to offset the advantages derived from the use of both—the law of comparative supply. The relations between them have been practically established by the cost in labor of obtaining them, and this cost, which is always a regulator of supply, is no more likely to be seriously disturbed in the future than it has been in the past. We may, I think, safely discard all apprehension that either will ever be so cheapened as to render it unfit for the purposes for which it is being used.

I come now to speak of the representatives of money which have been and are in use in the United States in the form of paper obligations, and I would remark at the outset of this discussion, that while a paper currency may be a beneficial supplement to metallic money, it can never with safety be a substitute for it. Of the great convenience of a paper currency there can be no question. It is less burdensome, less expensive in transportation, and to some extent better fitted for domestic transactions than either gold or silver. Nor is it without its benefits in encouraging industry, quickening enterprise, and reducing the rate of interest by the addition it makes to the circulating medium ; but in order that it may be productive of good rather than of evil, it must be worth what it is intended to represent, and

this it never has been and never will be unless its volume is judiciously restricted.

It would be interesting and instructive to trace the history of paper currency in other countries, but it will be sufficient for me, perhaps, to refer to it briefly in our own. Massachusetts, as she is quite apt to do in all new enterprises, took the lead in the use of a paper currency. In the good old colony time of 1690 she began the issue of Treasury notes, which were made receivable for taxes and a legal tender in all domestic transactions. There was a seeming necessity for this action on her part, for then no mines had been opened, no discoveries of precious metals had been made on this side of the Atlantic, except in Mexico and the South American States, which were under the domination of Portugal and Spain. Other colonies followed her example and issued notes, some in one form and some in another, and so imprudently that they rapidly depreciated, notwithstanding the laws that made them lawful money and a legal tender. In 1749 Massachusetts discontinued the policy of making money by promising to pay it, but in this instance her example was not followed by her sister colonies, which continued to issue depreciated notes until they were prevented by an act of Parliament which prohibited all British colonies from issuing bills of credit, and silver became the exclusive currency.

At the commencement of the Revolutionary War, there being an unusual demand for currency, Massachusetts again resorted to the printing press, in which she was imitated by the Continental Congress, which initiated its financial work by the issue of two millions of irredeemable notes, which issue was followed step by step, the continued depreciation creating a necessity for increased issues, until the whole of it, some two hundred millions, in addition to the colonial notes—uncertain in amount—became absolutely worthless. Everybody knows the history of what was called the Continental money—how the notes depreciated after twenty millions had been issued, how every additional issue increased the depreciation—until they became a synonym for worthlessness, so that the slang expression “not worth a continental” has been the most significant de-

scription of things absolutely destitute of value. And yet it is hardly fair that reproach should be cast upon Continental notes. Although they became as worthless as waste paper, and by their large volume excited a spirit of speculation, of which that of a recent date was hardly a counterpart, they answered the main purpose for which they were issued. They were serviceable during the greater part of the Revolutionary War. Perhaps it is not too much to say that without them the war could not have been maintained; that to Continental notes are we indebted for our national independence.

At the close of the war the colonies were in a most wretched condition, without money, without credit, without union. They had achieved their independence, but at the most tremendous sacrifice; they had, in fact, nothing to boast of but their liberation from the mother country. A government was to be formed to bind them together as a nation; credit was to be built up; a revenue system was to be established. Fortunately for the world, the men upon whom these great duties rested were equal to the emergency; fortunately, also, when the new government was formed, and a more perfect Union secured, a man appeared (Alexander Hamilton) to take charge of the financial interests of the Government, whose equal as a financial minister has rarely, if ever, been found. Not inferior to Necker in clearness of intellect, comprehensiveness of views, and stability of purpose, he was superior to Necker in his knowledge of detail and his power of organization. He not only devised the means for establishing on a firm basis the national credit, and giving new life to industry and well-directed enterprise, but he organized the Treasury Department with such perfection of skill, that nothing has been required by the enormous increase of its business, but the expansion of the system which he put in operation. When I read Mr. Hamilton's reports of 1790 and 1791 upon the public credit, a national bank and manufactures, I am amazed at the breadth of knowledge displayed by one whose opportunities for acquiring information upon these great questions had been so limited; when I look at the admirable machinery of the Treasury Department I am almost equally amazed by his skill as an organizer.

Before the close of the war Congress, upon the recommendation of Robert Morris, the Continental financier, had authorized the establishment at Philadelphia, under the name of the Bank of North America, a bank, which went into operation on the 1st of January, 1782, with a capital of \$400,000, two thirds of which were furnished by the general Government. Such was the commencement of a banking system which has grown to such immense proportions. This bank still exists, and is distinguished alike by its age and its prudent management. Its notes were the first paper promises ever put into circulation this side the Atlantic that were convertible into coin. At the outset so strong was the prejudice against a paper currency, that they were regarded with distrust, but the prudence with which they were issued and their convertibility into coin, soon brought them into favor. Then, as is always the case, very few persons wanted specie when sure of being able to obtain it. The stock of the bank was found to be so good an investment that it was soon increased from four hundred thousand dollars to two millions of dollars. Some two years after this bank went into operation the Bank of Massachusetts was organized in Boston, and the Bank of New York in the city of New York. Both of these institutions still exist and have had a prosperous and honorable career. These were the only banks of issue when Mr. Hamilton entered upon his duties under the new Constitution as Secretary of the Treasury. In the disordered condition of the national finances the establishment of a national bank was a national necessity, and the wisdom of Mr. Hamilton in devising the scheme was proved by its history. It was organized in 1791; as a national institution it superseded the Bank of North America, and by its large capital, ten millions of dollars (at that time a very large sum), and by its excellent management it aided materially in building up the credit of the Government and giving to the business of the country a stable basis.

It answered admirably the purpose for which it was established, and maintained during its entire existence, which ceased in 1811, the highest reputation for solvency and good management. It was not, however, a

popular institution, and the application for an extension of its charter failed of success by a single vote in the House and the casting vote of the Vice-President in the Senate. Its re-charter was opposed on constitutional grounds, and by the State banks, which had then increased in number to eighty-nine, whose issues it had kept in check by the system of redemption which it had enforced. Released from the restraining power of the United States Bank, the State banks increased their circulation so recklessly that in less than four years all except those in New England were forced to suspend specie payments. Their suspension and the consequent depreciation of their notes produced a derangement of business, for which there seemed to be no remedy but the organization of another Government bank, the father of which was Mr. Calhoun, one of the strictest interpreters of the Constitution in the South. The new bank went into operation in 1816, and although less prudently managed than its predecessor had been, it faithfully performed its duties as fiscal agent of the Government and held the State banks under proper restraint until it incurred the displeasure of President Jackson, then in the enjoyment of unlimited popular favor, who gave to it a death blow by removing from it the Government deposits and depriving it of its fiscal agency. It continued, however, in existence until 1836, to which year its charter extended; but, being no longer the fiscal agent of the Government, its prestige was lost and its power and influence rapidly declined until the expiration of its charter. Pennsylvania gave it a new charter, but it was a United States bank in name only, and by the unwise efforts of its managers to restore its former financial ascendancy by speculative operations, it came to an inglorious end in the general crash of 1837.

In looking back to the times when General Jackson commenced his attack upon the bank by removing from it Government deposits one can hardly fail to be surprised (as these deposits amounted to but ten millions of dollars) at the excitement, the derangement of business, and the apprehension which this removal produced. No executive action ever caused a feeling so general and so intense. Indeed, it was not without difficulty that

the President was able to accomplish his purpose. Mr. McLane, the Secretary of the Treasury, when the removal was determined upon, declined to be the instrument for accomplishing it. He was, therefore, requested to resign his place to Mr. Duane, who, being no more subservient than Mr. McLane had been, was compelled to give way to Mr. Taney, afterwards the Chief Justice of the United States Supreme Court, by whom the order of the President was promptly executed. The speeches that were made in condemnation of this act of the President by Senators politically opposed to the administration, severe and earnest as they were, were but an echo of the sentiment of capitalists and business men throughout the country. As the charter had but three years to run, the act of the President was not only of doubtful legality, but of more than doubtful expediency; but the feeling which it produced seems to us now to have been altogether disproportionate to the act. The position of the President had been previously defined in his message of 1829, and established for his veto for the extension of the charter in 1832. The removal of the deposits was not in itself mischievous; it was the veto of the bank bill in 1832, and the use that was made of the deposits after they were withdrawn from the United States Bank, which were instrumental in overwhelming the country with debt and bankruptcy. The veto of the bank bill had settled the fate of the bank; the party hostile to it was in power, and likely to continue to be; the States, therefore, undertook to supply its place by institutions of their own. Between the time of the veto of the bank bill and the expiration of the charter of the bank, large numbers of the banks were organized in nearly all the States, some with capital and some without; some under the management of competent and upright men; others under the management of men as destitute of ability as they were of honesty. Banks thus hastily and improperly organized would have been pernicious enough if they had been left to get on in the best way they could with such resources as they had and such credit as they could command; but, unfortunately, a large number of them were made depositories of the public money with the expectation on the part of the administration, if not

by a direct understanding with the banks, that it should be used in such a manner as would prevent the stringency in the money market and the embarrassments to trade which it was predicted would result from its withdrawal from the United States Bank. The volume of expansion had been rapidly swelling from the time of the veto in 1832. The addition of the public money to the means of the "pet banks," as the banks selected to be the Government depositories were then called, and the liberal use that was made of it, carried the flood still higher, until it culminated in the terrific crisis of 1837.

Between the years of 1830 and 1837 the bank-note circulation was increased in round numbers from sixty-one millions to one hundred and forty-five millions; bank deposits from fifty-five millions to one hundred and twenty-seven millions; bank loans from two hundred millions to five hundred and twenty-five millions. The expansion thus created by the banks was attended not only by expansion of mercantile credits, which were given with great liberality, but it led the States to embark in enterprises of internal improvement as wild in conception as they were disastrous in results. As credit was cheap and money was abundant in Europe, States borrowed freely and commenced what were then supposed to be necessary public works with great vigor, but the crisis came, as is always the case, when it was not anticipated. A stop was put to the prosecution of works upon which large expenditures had been made, and many of the States, some of them among the richest, no longer able to borrow, defaulted in the payment of interest, and for a number of years the stain of practical repudiation rested upon a considerable part of the Union. Some of the debts contracted for the construction of works which had not been completed and ought never to have been commenced were reduced by compromise—all were for years a burden upon tax-payers; large amounts are unpaid to this day. The misfortunes which overwhelmed the country in 1837 and the long paralysis which followed might be traced to the veto of the bill for the extension of the charter of the United States Bank. It was this veto that brought into exist-

ence the larger portion of the States banks which went into operation between 1832 and 1837. It was their rapidly increasing circulation, their liberality in making loans, and their indulgence to borrowers that rendered possible the mercantile credits, ruinous in many instances to both creditors and debtors, which gave to the country an appearance of wealth and progress, and seemed to render necessary the public works which were so imprudently undertaken. All this may be said without condemning the veto. The United States Bank was of undoubted service to the Government and the people during the period for which it was chartered, but a great financial institution, the fiscal agent of the Government, with power to control the business of a republican country like ours, could not long retain the confidence of the people or fail to be a dangerous engine of political power.

The winding up of the United States Bank and the proper distrust of the solvency of the State banks rendered action for the safe keeping of the public moneys on the part of the Government a matter of necessity. This action was taken in the divorce of the Government from all connection with banks by the issue of the famous "SPECIE CIRCULAR," which prohibited the receiving of bank notes for the payment of public lands and customs duties. Up to this time the notes of the United States Bank, and the notes of the banks which had been appointed depositories of public moneys, had been received in payment of all Government dues; from that time up to the passage of the Legal-Tender Acts specie alone was recognized as money by the Government. The issue of this circular produced an excitement throughout the country scarcely less violent than that which was produced by the removal of the deposits from the United States Bank, and yet it was a movement by the Government in the right direction. The misfortune was that it was not made sooner. Had the public moneys, when drawn from the United States Bank, been placed in the Treasury instead of the pet banks, an important stimulus of speculation would have been absent, the advancing tide of expansion would have been checked, and the disasters which came over

the country between the memorable years of 1837 and 1843 would have been greatly mitigated. The Sub-Treasury Act, requiring the payment of public dues in gold and silver, was not only necessary under the circumstances, but wise in design and salutary in effect. It freed the Government from all connections with banks, it protected the Treasury from loss, and it kept constantly before the people the knowledge that there was a better currency than paper. One cannot tell what would have happened if the distinction between specie and United States notes had not been maintained by that provision in the Legal-Tender Acts which required that customs duties and the interest on the public debt should be paid in coin.

The crisis of 1837 was followed by six years of severe depression in all branches of trade and enterprise; confidence ceased; distrust of everything and everybody took its place; the days of borrowing were ended, and the States interposed appraisement and State laws to render difficult, if not impossible, the collection of debts which had been contracted when credit was cheap and what was called money was abundant. A correct index of the condition of the country at that time is found in the condition of its banking institutions. On the 1st day of January, 1837, the bank circulation was \$149,185,890; on the 1st day of January, 1843, it was \$58,564,000. During the same period the bank deposits had shrunk from \$127,397,000 to \$56,168,000; loans from \$525,115,000 to \$254,544,000. Nothing could more clearly indicate the depression which prevailed throughout the country, when its population was steadily increasing, than these figures. For the disasters of 1837, for the bankruptcy which followed, for the poverty and sorrow which came to so many households, there were no natural causes. There was no war, and no civil commotion to interfere with industry, no failure of sunshine or rain; there was simply a violation of financial and economic laws, similar in some respects to that which produced the collapse of 1873.

As an illustration of what was supposed to be an evidence of national prosperity, but which was only the result of excessive importations, I will mention a fact to

which I have seen no allusion for years. In 1835 and 1836 the revenues of the Government from duties upon imports were so large that there was a surplus in the Treasury for which the Government had no use. What to do with it was one of the most interesting questions before the country in 1835. There was no precedent to guide, for never before had a nation been in the awkward position of having moneys in the Treasury, upon which there were no claims and for which the Government had no use. It was finally solved by an act of Congress approved on the 23d of June, 1836, which provided that the money in the Treasury on the 1st day of January, 1837, reserving the sum of five millions of dollars, should be deposited with the States in proportion to the number of their representatives in the Senate and in the House. By this act \$28,101,864.91 of the public moneys were distributed among the twenty-six States of the Union. The States were obligated by the act to repay in instalments the amount received by them, respectively, whenever the same should be required by the Secretary of the Treasury, for the purpose of meeting any wants of the public Treasury. The obligations thus given by the States are on file in the department, and the amount deposited with them is still, I think, included among the Treasury assets. This distribution, however, although in the form of a deposit, was, in fact, a donation; it was so regarded at the time, and has been so regarded ever since. I am sorry that I am unable to say that the money thus distributed among the States was judiciously used.

In 1844 the revival of confidence, of industry, and enterprise became manifest. The lethargy which had so long prevailed was shaken off, and so rapid was the recovery that the following year was one of the most prosperous years that I have any recollection of. Everything seemed to be going on prosperously until 1857, when a panic occurred which produced another bank suspension, and a sharper and more ruinous revulsion, during the period for which it lasted, than any that has ever occurred in the United States; there were no decided premonitions of its coming; speculation was active in some sections, and the credit system too much extended;

all clear-headed and prudent men saw that the wave was rising and that there were dangers ahead, but very few were prepared for the break when it came. The failure of a large bank in Ohio, which, prudently managed at home, was ruined by its trusted agent in New York, sent a thrill of surprise, amazement, and apprehension throughout the entire Union. Within two weeks nearly all the incorporated banks were compelled to suspend and nine-tenths of the private banks to close their doors. The country was really in a healthy condition; there was expansion, but not enough to be dangerous, if prudence and calmness had been in the ascendant; but madness ruled the hour; everybody held on to what money he had; men worth millions could not borrow the few thousands needed to save their paper from protest; the country reeled like a drunken man, and the very foundations of our monetary system seemed to be breaking up. It was, however, a panic, and not a crisis; it was sharp, violent, destructive, but it was without reasonable cause, and it was, consequently, of short duration. In a few months business resumed its ordinary courses, the financial skies became clear, confidence returned, the banks were trusted, and the country moved on again prosperous and serene until the outbreak of the rebellion. The year of 1860 was a year of great prosperity, and so sound was the financial condition of the country that no panic occurred to divert attention from the political dangers to which the Government was exposed when the great drama was opened in 1861. The banks of New York, and Philadelphia, and Boston, instead of being run upon by their depositors and note holders, were able to lend to the Government a hundred and fifty millions of dollars, and they were only forced to suspend when the Secretary of the Treasury felt it to be his duty to draw upon them in favor of the Treasurer and Assistant Treasurers, according to the requirements of the Sub-Treasury Act. If the Treasurer had been authorized to draw upon the banks as payments were to be made for Government supplies, and his drafts could have gone, in the ordinary way, through the clearing-houses, their suspension would have been deferred; I do not think it could have been prevented.

Whether the war could have been prosecuted upon a specie basis may be an interesting question for speculation, but it has no special interest at the present time. The suspension of the banks in the cities named was followed by the suspension of other banks throughout the country, but there was no considerable depreciation of their notes until after the passage of the Legal-Tender Acts.

No greater responsibility ever rested upon a financial minister than rested upon Mr. Chase while he was Secretary of the Treasury. It is true that his responsibility was shared by Congress, but the weight of responsibility was upon him, inasmuch as every war loan, in character as well as in amount, was authorized in accordance with his recommendations.

Mr. Chase was not a trained financier. If he had been, he might have shrunk from the responsibilities of his position; he might have hesitated when prompt action was required. Great battles are not often successfully fought according to the established rules of war. As the Austrian generals, who were defeated one after another by Napoleon in his first Italian campaign, were astonished at their defeat by one whose mode of fighting was a violation of all military science, so financiers at home as well as on the other side of the Atlantic were astonished at the measures adopted by our minister of finance to raise the means for the prosecution of the war. It does not become us who are in the enjoyment of the priceless benefits of a preserved Union to criticise these measures. There was but one for which a necessity did not seemingly exist. The Legal-Tender Acts provided that the notes issued under them might be convertible into the bonds for the sale of which they were supposed to be necessary. The repeal of this provision was a great misfortune. But for this the United States notes would have been absorbed immediately after the close of the war and the green-back mania, for such I regard it, still so potent for mischief, would not have existed.

That he did not make other mistakes, others that all would unite in acknowledging and regretting, is ample evidence of his ability. To Mr. Chase, as much as to

the commanders of the Union armies, is the country indebted for its unity. All honor to him and to them; none the less certainly to the soldiers who fought the Confederacy in its strength than to those who crushed it in its weakness; none the less to the memory of the young men of this University, to whose honor this noble building was erected, and to the young men of all the colleges who went to the battle-field and gave up their lives for the Union, the preservation of which they saw only with the eye of undoubting faith.

I have thus dwelt upon the early financial history of the country, because the light reflected from the past is the safest guide for the future. Whatever lessons the past teaches cannot fail to be useful in giving direction to present sentiment.

I intended to say all I had to say upon the representatives of money in a single lecture, but I lacked time for condensation, and I must trespass upon your indulgence in continuing the subject next Tuesday evening, when I hope to be able to present thoughts upon the subject of the currency that may be worthy of consideration.

FOURTH LECTURE.

THE NATIONAL BANKING SYSTEM.

My lecture this evening is a continuation of that which I delivered last Friday evening on "Representatives of Money." There are many of these representatives, such as promissory notes, notes of hand, as they are called, checks, etc. The duties and offices of these are well understood, and there is no difference of opinion about their utility, no political contest in regard to them. I shall, therefore, confine my remarks to Government notes and bank notes. I shall have a good deal to say about bills of exchange, a very important representative of money, next Thursday evening, when I shall speak on "Foreign Exchanges."

The leading measures of Mr. Chase's administration of the Treasury were the Legal-Tender Acts, the issue of bonds payable at a certain day, but redeemable at an

earlier one at the pleasure of the Government, and the national banking system. Of the Legal-Tender Acts I have already spoken, and shall speak more freely further on. The wisdom of the provision that the six per cent. bonds might be redeemed before their maturity is proved by the ease with which they have been converted into four per cents., and the burden of the public debt thereby largely reduced. He was strongly advised to make them thirty years bonds. Fortunately, he was wiser than his advisers. The establishment of the national banking system was, however, the measure which he had most at heart, and upon the success of which he believed the best financial interests of the Government depended. He regarded the Legal-Tender Acts as a war measure. He thought that without a large issue of notes possessing the legal qualities of money, sales of bonds, sufficient to meet the wants of the War and Navy Departments, would be impossible. And he was guilty of no inconsistency when he expressed the opinion, as a Justice of the Supreme Court, that these notes were not a legal tender in satisfaction of contracts entered into before the Legal-Tender Acts were passed. In one of the last conversations I ever had with him, before he resigned his office as Secretary of the Treasury, he said: "Many things can be properly done under the war power of the Government which would not be tolerated in times of peace. I thought and still think," said he, "that the Legal-Tender Acts were a necessity; I have never been committed to their constitutionality."

When the suspension occurred in 1861 there were some fifteen hundred banks of issue incorporated under State laws; some solvent and some of doubtful solvency; some with a secured circulation, some without any other security than that afforded by capital which had, in some instances, but a nominal existence. As all had suspended, there were no means by which discrimination could be made between the notes of sound banks and unsound ones. It was obvious that a very large amount of currency would be required for the payment of soldiers and seamen and the purchase of army and navy supplies, and the question which confronted Mr. Chase,

one of the most difficult which a financial minister was ever called upon to decide, was, By what means shall this currency be obtained? He knew that if he borrowed from the banks he would receive in payment irredeemable notes, a large part of which might prove to be worthless. If he relied upon the Government notes, he would be doing what other nations had done, what, indeed, had been done in Continental times in his own country, without any certainty of different results—depreciation, bankruptcy, repudiation. After long and anxious consideration, he adopted the principle of the free banking system of New York, but with such security as would make the notes of the banks current throughout the Union, and as safe as the bonds of the Government and the limited liability of the stockholders could make them. In my judgment the national banking system is one of the chief compensations of the war. It has given to the country what it never had before—a bank-note circulation of uniform value and unquestionable solvency. Those who are much older than most of those whom I address can alone appreciate its value. Nothing could be less fitted for the currency of a great country like ours than the notes of the State banks under the old systems. Only a small portion of them were secured, and these, perhaps, not absolutely by deposits of bonds in the State Treasuries; none of them had a reliable credit outside of the States in which the banks which put them in circulation were established. The losses that the people sustained by broken banks before the adoption of the present system could be counted by millions. The losses to which they were subjected in traveling from State to State and in making exchanges were also very heavy. The State bank system was a system under which bank-note brokers were enriched and the people defrauded.

It is to such a system that the country will return if the present system should be destroyed, for I am quite sure that the people will have a paper currency of some kind, and I am equally sure that this currency will not for a long period be furnished by the Government. The contest, however, is between the Government notes and the notes of the banks. Let us glance at the principles

involved in this contest and the interests at stake; let us consider the popular objections to the national banking system, and the real and substantial objections to the substitution of Government notes for bank notes.

Firstly. It is contended that the notes of the national banks are costly to the people.

Secondly. That the national banks are a monopoly.

Thirdly. That they are a great money power, dangerous to the rights of people.

Fourthly. That they cannot furnish currency enough for the requirements of trade.

In what sense, then, are the national banks costly? The banks cannot obtain the notes which they put in circulation without placing bonds in the Treasury with ten per cent. margin; in other words, they cannot obtain ninety dollars of circulating notes without depositing a hundred dollars of United States bonds in the Treasury at Washington. This is costly to the banks, but not to the public. It is not a voluntary act of the banks, it is what the Government requires, and the interests of the people require of them, for the security of their notes. There is not a banker in the United States who, looking at his interests alone, would not be right glad to be freed from this requirement. The bonds which he deposits with the Treasurer are not the property of the public; the interest they bear is to be paid out of the public revenues whether they are made the basis of circulating notes or not. Who ever heard of complaints against the free banking system of New York or of the West that it was a costly system to the people? The only objection raised against it was that the notes were not perfectly secured by it; nor was the national bank system in any manner the creation of the State banks; without an exception, the State banks were opposed to it when I undertook the organization of the National Currency Bureau. They were forced into it by a ten per cent. tax upon their notes, which compelled their withdrawal, and it is one of the interesting facts in our financial history that the withdrawal of these notes, and the substitution of the notes of the national banks, was accomplished without the slightest financial disturbance. In less than two years from the passage of the

Bank Act the notes of the State banks were retired, and the people furnished with a paper currency, current throughout the Union, and as solvent as the Government. The National-Currency Act was the first practical assertion of the authority of the Government to regulate and control the paper currency of the country—the first performance of a duty which it owed to the people—in compelling the banks to secure beyond question their circulating notes. The national banking system is in no sense a costly one to the people; the people pay nothing for its support. On the contrary, it contributes largely to the public revenues by the taxes imposed upon the banks, taxes which are as unwise as they are unjust, which if continued will force many of them into liquidation. The taxes which the national banks pay to the Government, and the interest on the coin reserve which the Government would be under the necessity of maintaining if it should undertake to support a convertible circulation of United States notes, would far exceed the interest which the banks receive upon the bonds deposited by them in the Treasury. The national banking system, while it furnishes the safest paper currency in the world, is not a profitable system to bankers. It is true that during the period of inflation the banks did, like all other financial institutions, make a good deal of money upon paper, but their profits were to a considerable extent illusory. I fear that the small dividends that some of them are now declaring are making inroads, if not upon their capitals at least upon their surplus, which prudence requires them not only to maintain but to increase. The only way in which, according to the opinion of those who are opposed to the banks, money can be saved in supplying the country with a paper currency is by a repeal of the National-Currency Act and the redemption of the bonds in the safe keeping of the Treasury with United States notes, an experiment which, if ever tried, will prove to be more costly and disastrous than any experiment which has ever been tried. The objection, therefore, to the national banking system, that it is costly to the people, is utterly without foundation.

Equally unfounded is the objection that it is a monopoly. So far from it, it is eminently free and democratic in character. There is not a feature of monopoly about it. It permits any five people (outside of large cities where successful banking with small capital is impossible), who can command fifty thousand dollars, to become bankers. It requires only that those who undertake to lend money under the sanction of the Government shall have the money to lend; that those who exercise the right of issuing obligations as money shall secure them. So far and no farther does the national banking system go towards establishing a monopoly. It is, in fact, a great free banking system, eminently popular in its character, open to all citizens of the United States, with all the objections to a Government bank carefully eliminated. It is the extension of the free bank system first established in New York, which was a triumph of popular over what might be called, if I may be permitted to coin a word, monopolistic banking.

Nor is there any better foundation for the charge that the national banks are a great money power, dangerous to the rights of the people. What power has money in banks which it does not otherwise possess? What right of the people do the banks invade? What interests do they endanger? Money is power always and everywhere; it always has been and will always continue to be; no legislation can prevent it. But its political power, far from being increased, is, in fact, lessened when it is invested in bank stocks. The national banks have a large capital, amounting in the aggregate to some four hundred and seventy millions of dollars, and they have the temporary use of six hundred millions of deposits. Their capital is made up of the earnings or the inheritances of a large number of people who prefer investments in bank stocks to other investments. Their deposits are moneys for which their owners have no immediate use, and who place them in the banks for safety or convenience or for the interest which is paid on them. They do control a large amount of money, but for business purposes only. Bankers are not politicians. If anyone is known to be dabbling in politics, as it is called, the bank which he manages is regarded

with suspicion and suffers in credit. The managers of banks are generally men of ability, but there are no men in the country who have less political influence. It would not be difficult to find twenty men in Boston who never owned a share of bank stock, who wield more power in elections than all the officers, directors, and employees of all its national banks. Unfortunately, bank managers, like other business men, are too apt to neglect political affairs. Some are so absorbed by official duties or private enterprises, some so afraid of what they call political dirt, that it is only by strong pressure in an exciting election that they can be induced even to vote. This is a free country, and men can go to the polls or they can stay away, according to their own good pleasure, but if they suppose they are to be freed from politics and politicians by neglecting their own political duties, they are grievously mistaken. They have their existence in a political atmosphere from which there is no escape. Ours is a Government of the people, which is in constant peril when those who have the greatest interest in its maintenance manifest no personal concern in the administration of its affairs. "Eternal vigilance is the price of liberty." When this vigilance ceases to be exercised by those who have the most at stake, despotism will become a necessity. So far are bankers from combining for the purpose of controlling elections, that they generally shrink from the performance of their duty as citizens in the selection of candidates and at the polls. There has never been a combination of the national banks for any political purpose whatever. They have not even attempted a combination of their influence to effect a reduction of the grievous taxes which are imposed upon them. The banks are by no means under the control of men of the same party, nor are they in the enjoyment of privileges which they are especially anxious to retain. The State banks were forced into the national banking system, and, if a vote were taken to-day, a majority, regarding their own interests alone, would, as I have said, be in favor of being placed again under the control of the States. The national system of banking was established not for the benefit of the bankers, but for the benefit of the people, and the

people will be blind to their own interests if they permit it to be destroyed. That it is not especially attractive is proved by the fact that, although open to all, there are in the United States nearly four thousand State banks and private bankers, with a capital of over two hundred millions of dollars and deposits exceeding four hundred millions, that decline to connect themselves with it. The objection that the system is dangerous to the rights of the people as a great money power is as groundless as the other objections which I have considered.

Nor is there any ground for apprehension that the national banks will either be unable or unwilling to furnish all the paper money that will be needed for legitimate trade. The cause for apprehension is in the other direction. There is a constant tendency to excessive issues by the banks when currency is on demand. The business depression which has existed within the last five years in the United States was caused, in no small measure, by the large issues of notes by the Government and the banks. - There is not a single branch of industry in this country which is suffering for want of a circulating medium, not one that would be benefited by an increase of it. I will go further, and on this point I can speak advisedly, for I have been for forty years a careful observer of the condition of trade in the United States and of the causes which have produced hard and prosperous times; I will go further, and assert that there has been no time when industry has languished, and the productions of factories and fields have failed to fetch remunerative prices, by reason of a scarcity of money to pay for them. What is now needed for a general revival of business is not more money, but what has always been needed in times of depression, more work for laborers, more and better markets for our productions. As I remarked in a previous lecture, prices of most of the productions of the country are low, of many articles lower than they were before the war; the prices of some are even below the cost of production, and yet currency was never before so cheap or so abundant. An increase of the volume of the circulating medium would aggravate instead of lessening the existing trouble, by

breaking confidence, which is the mainspring of enterprise. No reasonable objection, therefore, lies against the national banking system on account of its present or prospective inability to supply the country with all the currency required for all legitimate and useful purposes.

That well-managed banking institutions are conducive to national prosperity is proven by the experience of all great commercial nations. There is not one which has not found them as banks of issue, as well as of deposit and discount, not only a popular convenience, but a great commercial advantage. Whatever losses have been sustained by them were the result either of defects in the laws under which they were organized or of mismanagement. As far as depositors can be protected they are protected under the present system, by the requirements that the capital of the banks shall be fully paid up; by the liability of stockholders for an amount equal to their stock in addition to it; by the supervision to which they are subjected by competent examiners; by limitations upon their loans, and by the penalties imposed upon officers and directors for fraudulent mismanagement, of which insolvency is *prima facie* evidence. No such failure as that of the Bank of Glasgow, or approximating it, could have occurred under our national banking system. So far as the note holders are concerned, and their interests are a matter of primary importance, the protection is absolute. No other banking system in the world affords superior protection to depositors; none is equal to it in the security it gives to circulating notes. It is this system which gives to the country what has been so long desired—a bank note circulation of uniform value and unquestionable solvency—that is now endangered by a proposition to substitute for the notes of the banks the notes of the Government. Now, let us see what this proposition involves.

It involves, among other things, the winding up of a large part of the national banks and the conversion of the rest into State or private banks. If this conversion should be back to State banks there would be a repetition of the evils from which the country suffered disastrously for so many years, a bank note circulation of local credit and uncertain value; if into private banks

there would simply be, instead of banks of issue, an increase of offices of discount and deposit, issuing no notes, subject to no supervision, conducted merely for private gain. To such an entertainment is the country invited by the opponents of the existing system. It is contended, I know, that the deprivation of the privilege of issuing notes would neither necessitate the winding up of national banks nor their conversion into local or private institutions. Why it would not we are not informed. To many of the banks the right to issue notes is of some value, not much, it is true, but still sufficient to induce them to remain in the national system. The profits of the banks, whose notes will soon be based upon four-per cent. bonds on their circulation, after deducting their taxes thereon, will not, as has been shown by the recent exhaustive report of the Comptroller of the Currency, exceed one and a half per cent.; but these profits, small as they are, are the only compensation which they have for the annoyances to which they are subject as national banks. Deprived of these profits, the majority of them would call in their loans and go into liquidation to the great disturbance of business and the severe prejudice, if not ruin, of their debtors. Those who did not do this would go back to the old system or into private banking. Whenever the national banks are deprived of the power to issue notes the power of the Government over them will cease. The national banking system was established to give to the people a paper circulation upon which they could safely rely and which they could use at par in every part of the Union. Whenever the privilege of issuing notes is withdrawn from the banks the very object for which they were chartered will be terminated. A national banking system without a national bank note circulation would be an absurdity.

The substitution of United States legal-tender notes for the notes of the national banks means also the perpetuation of a local measure of value fluctuating in amount, and, consequently, in purchasing power, instead of the long-established constitutional measure. One of the first questions which came up for consideration after the adoption of the Constitution was the authority of Congress to incorporate a bank to be the fiscal agent of

the Government, with the right to issue notes, not as lawful money, but as a circulating medium, to facilitate exchanges and to give life to languishing industry and trade. On this question there was a great difference of opinion, not only in Congress, but in the Cabinet. Jefferson and Randolph were opposed to it, Hamilton and Knox in favor of it. Washington agreed with the latter, and gave to the act incorporating the first United States national bank his approval. As far as we can judge from the discussions at the time, a provision in the bank act to make the notes of the bank lawful money would not have had a single supporter in Congress. It remained for statesmen of the present day to discover the authority of Congress to give to anything but gold and silver the quality of money. Indeed, not only the authority of Congress to incorporate a United States bank, but the authority of the States to create State banks of issue, was for a long time a mooted question. Up to the time of the passage of the Legal-Tender Acts in 1862 there was probably no lawyer in the United States, whose opinion was entitled to the slightest respect, who did not agree with Mr. Webster, that as Congress had no power granted to it in that respect except to coin money and regulate the value of foreign coins, it clearly had no power to substitute anything else for coin as a tender in the payment of debts and in the discharge of contracts. Nor did any advocate of these acts justify his advocacy by the sanction of the Constitution. They were advocated and passed as war measures outside, if I may so speak, of the Constitution, and as war measures only.

The substitution of United States notes, with the quality of money, for bank notes is objectionable, therefore, on constitutional grounds. The change which has recently taken place in the opinions of distinguished men upon this vital question is remarkable. Many of those who were formerly the strictest of strict constructionists, who denied the right of Congress to issue notes as lawful money even under the war power of the Government, when such issues were thought to be necessary for the preservation of the Union, are now in the time of peace in favor of increased, if not of unlimited, issues.

Let us look at this question a little more closely. The Constitution is the supreme authority from which Congress derives its law-making power. No law is constitutional which is not in harmony with it, and while a liberal construction may be necessary to carry out its provisions, a construction which gives to Congress authority not warranted by its letter or spirit subverts the basis of constitutional government. The Constitution gives to Congress the power to coin money and to fix a value upon the coins of other nations, to establish mints to convert gold and silver bullion and foreign coins into coins of the United States. Authority to issue notes as lawful money is not given to it by the Constitution, nor is such authority needed for the execution of any of its powers. If, by the authority given to Congress to coin money and regulate the value of foreign coins, the right to issue legal-tender notes as a currency can be fairly inferred, I can conceive of no act of despotism which it might not perform under the fundamental law which was framed with a view to define and limit Federal authority.

There are other strong objections to the United States notes as lawful money. They have no intrinsic value; they are not money in any proper meaning of the word; they are made money by acts of Congress, but they are not regarded or treated as such outside of the United States.

Their value depends upon their being convertible into coin and their being made receivable for public and private dues. Their legal-tender quality is a violation not only of the Constitution, but of the common law of commercial nations.

There are also overwhelming objections in another respect to Government notes. There can be no limitation, if the authority to issue them is admitted, upon the amount that might be put in circulation. By one Congress the limitation might be three hundred millions; by another the limitation might be extended to five hundred millions; by another to a thousand millions, and so on. How could business be conducted with safety if the power to increase the lawful measure of value were intrusted to Congress, no matter what party might be in control of the Government? Would the Democratic

party be willing to intrust such power to Republicans? Would the Republican party intrust it to Democrats? Would business men—would the laboring classes—be willing to intrust it to either? No government in the world is wise enough or honest enough to be intrusted with the authority to make money by what is now called its fiat, or by merely promising to pay it. To my mind the objections to continued issues by the Government of legal-tender notes are insuperable. Other nations have resorted to such issues, but only under the pressure of great and immediate necessities. By no solvent government have such notes been issued for a permanent currency, and never has the great fundamental international law, which makes gold and silver alone money, been violated by any nation, no matter under what circumstances, without discredit to itself and prejudice to its people.

The main objection to Government notes would be lessened if they were deprived of their legal-tender quality, but other serious objections would still remain. A paper circulation can only be useful when it is connected with business operations. It should never be anything more than a supplement to the precious metals. Always redeemable, its volume should be regulated not by arbitrary authority, but by the requirements of trade. Such a regulation can never exist when the circulation is furnished by the Government. No legislative body, even if no political or other improper influences were brought to bear upon it, could determine the amount of paper currency which the country required. If the present Congress, having no fear of a veto by the President, should undertake to determine how much currency is now needed to supply current wants, is it at all probable that the amount would be reasonably restricted? Current wants, by some members, would be regarded as including only what is needed to facilitate existing trade; but a majority would, I fear, include in current wants the amount needed, in their opinion, to "revive our languishing industries and develop the national resources." A gentleman of large wealth and much general intelligence, perfectly sound upon other subjects, but at sea upon the subject of currency, said to me in November

last, that "the financial troubles which had come over the country were the result of contraction" (although the volume of paper money then outstanding was three times larger than at any time before the war), and that "two thousand millions were required for a restoration of former prosperity." Into what overwhelming disaster would not the country be plunged if such a man, and he is a representative of his party, had the control of the national finances? The only way in which currency can be furnished by the Government is by the use of it in redeeming outstanding bonds, or in reducing taxes, or increasing public expenditures. What would the bonds be worth if they were redeemable in a currency, the volume of which might be unlimited? What economy would there be in the public expenditures if the printing press could be made to do the work of the tax collector? Who would be audacious enough to talk about taxes, and the necessity of maintaining the public credit by a judicious revenue system, if money could be made without any other expense than such as would be required in printing notes? I venture the prediction, if this power is ever fully exercised, that the halls of Congress will be converted into a gambling house, whose operations will cast into the shade those of the stock exchanges of our commercial cities.

But suppose that more prudent counsel should prevail and the volume of currency should be limited to the amount now existing and continue to be convertible into coin, could the Government properly do the work of banking institutions? Would the Treasurer at Washington and the Assistant Treasurers in our commercial cities be the proper agents for redeeming notes? It is true that the United States notes are convertible into coin, and that the holders can have them redeemed by presenting them at the offices of the Assistant Treasurers, but this is because the amount is limited and because there is no demand for coin for exportation. Let the United States notes be substituted for the outstanding notes of the national banks, and increased to seven hundred millions (if not to a much larger amount) instead of three hundred millions, then we shall see how this system will work when the exchanges even for a short

period are unfavorable. If we are to have a convertible paper currency it will be as it has been in all other countries, through the instrumentality of banks, with limited power of issue, and whose existence is made dependent upon their ability to redeem the notes which they put in circulation. It must have been noticed, however, by all who have paid attention to the discussions of this subject in Congress or before the people, that a circulation, the value of which will depend upon its convertibility, is not what is required by the advocates of direct issues by the Government. What they contend for is Government notes which will not need convertibility to give them value, notes which shall be themselves money, no matter what may be their value in comparison with coin. Their real objection to the notes of the banks is that they stand in the way of unlimited issues of United States legal-tender notes.

It is understood that our able finance minister thinks it would be judicious to keep three hundred millions of the United States notes in permanent circulation. It is reported that he has gone very much further than this; that he has said, "If there should be a contest as to which should furnish the country with circulating notes, the Government or the banks, he should be on the side of the Government," which means that to bank notes, perfectly secured by the bonds of the Government, and the liability of stockholders, limited in amount by deposits with the Treasurer, and which are not a legal tender, he would prefer the notes of the Government, made lawful money by statute, the amount of which to be put into circulation would be restricted only by the discretion of Congress. In taking this position he would disregard the experiences of other nations as well as our own, and he would find few supporters among the best thinkers and most intelligent business men of the country. That bank notes in the United States are now answering a legitimate and useful purpose is, I think, undeniable by those even who prefer to them the notes of the Government. They do not usurp the place of coin; their value depends upon their convertibility and the security lodged with the Treasurer; they find their way into circulation through business channels; they repre-

sent business. The banks that issue notes have something to show for them—the obligations of borrowers. Not so with the notes of the Government; they claim to be what they are not; they are made money by statute, but they are merely obligations for the payment of money. By being made a legal tender, they become a false and deceptive measure of value. A legal substitute for coin, they drove coin out of circulation for years, and they will always work in this direction. The specie standard will not be permanently restored, the financial question will not be removed from the political arena, nor will the business of the country rest upon a solid basis, until they are deprived of their legal-tender quality by an act of Congress or the decision of the Supreme Court, and gradually retired from circulation.

Great consideration should be given to the opinions of the Secretary of the Treasury upon financial questions. Especially should this be the case when he has been identified for years with our financial legislation. In differing with Mr. Sherman, for whose ability I have great respect, and to whom the country is greatly indebted for his successful administration of the Treasury, I might doubt the correctness of my own conclusions were I not sustained by speeches and reports made by himself when he was in the Senate.

On the 13th of February, 1862, in an able speech in favor of the first Legal-Tender Act, authorizing the issue of one hundred and fifty millions of United States notes, he used the following language:

The only objection to this issue of paper money is that too much may be issued; there is the only danger in it. I do not believe the issue of one hundred and fifty millions will do any harm, but if you continue to issue other sums you will at once depreciate the credit of these demand notes (meaning the outstanding Treasury notes which were not a tender), and destroy their value. If you confine it to the amount limited by this bill, I believe the effect will be healthy in all of the business relations of the country.

This is a mere temporary expedient. It is manifest that we must rely upon some other source of obtaining money. We dare not repeat this experiment a second time. If we do we enter upon the same course that was followed in the French Revolution, and also by our American ancestors.

On the 17th of December, 1867, in a report upon the public debt, he expressed his own opinion and that of the Finance Committee of the Senate, of which he was chairman, as follows:

Your committee are of the opinion that the time is not distant when it will become the duty of Congress to repeal so much of the existing laws as makes the United States notes a legal tender in the payment of debts, either public or private. This provision was adopted with extreme reluctance, and under the pressure of overwhelming necessity. The debates in Congress at the time this measure was adopted show conclusively that it was universally regarded as a temporary expedient. It is inconsistent with sound financial principles, and was never resorted to since the commencement of the present Government until February 25, 1862. The evils produced by Continental money were so fresh in the minds of the founders of the Government, that during the financial difficulties which followed the adoption of the Constitution no one proposed such an expedient. During the War of 1812, when financial embarrassments had impaired the revenue and destroyed the public credit, a limited-tender Treasury note was proposed and was promptly rejected. Mr. Dallas, in a communication to the Committee on Ways and Means, declared, "That the extremity of that day cannot be anticipated when any honest or enlightened statesman will again venture upon the desperate expedient of a tender law." We were driven to that extremity, but should hasten to abandon so desperate a remedy at the earliest day practicable. The moment at which we can restore the notes to a specie standard should be signalized by a return to correct principles, and our United States notes should stand like all other paper money, receivable only at the pleasure of the creditor.

In a speech in the Senate upon the currency, January 24, 1870, Mr. Sherman said:

I believe the judgment of the country is gradually settling down to the conviction that a note issued by a government cannot be a proper agency of circulation. Other nations as well as our own have often tried the experiment of maintaining a circulating note issued by the Government, and they have universally found it to fail. It is impossible to give to currency issued by a government the flexibility necessary to meet the demand of the exchanges, and therefore experience has shown that a note issued by a government, and maintained upon the guarantee of the government alone, does not form a good circulating medium, except during a suspension of specie payments. It must have a flexibility which will enable it to be increased in certain periods of the year, and to flow back again into the vaults of the banks at others. I am convinced, although it is unnecessary to discuss that point here, that in time it will

be wise to retire our United States notes and all forms of Government circulation, and depend upon notes issued by private corporations, amply secured beyond peradventure, so that in no case can the note holders lose, and to subject the banks to regulations applicable to all parts of the country, making them free, so that the business of banking will be, like the business of manufacturing, blacksmithing, or any other ordinary occupation or business of life, governed only by general law.

These were no hasty utterances. They were carefully considered opinions expressed at intervals of years; they cover the whole ground of the present controversy. If the minister differs from the senator, I must stand with the senator, and so, I hope and believe, will the country.

FIFTH LECTURE.

NATIONAL DEBTS AND FOREIGN AND DOMESTIC EXCHANGE.

In my last lecture I spoke of paper obligations as representatives of coin, and dwelt at some length, perhaps unnecessary length, upon the question of the substitution of national legal-tender notes for the notes of the national banks. I have dwelt upon this question because I regard it as one upon the proper settlement of which the national credit and the welfare of the people largely depend. It is a question in regard to which the country ought not to go wrong, and will not, if it is calmly and carefully considered. Great things have been accomplished in the United States within the last seventeen years, things that are regarded as marvels by enlightened and fair minded observers on the other side of the Atlantic. What military man in Europe supposed that a civil war, waged with such heroism and persistency on both sides, would terminate as ours did; that a million of our men, some of whom were in the service for years, and all long enough to acquire a taste for a soldier's life, could be "mustered out" and be sent to their homes without a single instance of violence or popular disturbance? What financier supposed that a reduction of our public debt would be commenced within six months from the end of the war, and be continued

throughout a period of unparalleled financial depression and disaster, until one-third of it had been paid and the burden of the balance had been greatly lightened by reductions in the rate of interest which it bears? Who that was cognizant of the history of similar experiments could have dreamed that the United States notes would go all the way down from one or two per cent. discount in 1862 to sixty per cent. discount in 1864, and be brought up to par in gold in 1878? Mistakes have been made and much suffering has been caused by them, but no government has a more creditable financial record than that of the United States. All that is now required, as far as the action of the Government is regarded, is a judicious revenue system and a stable currency to insure to our people greater prosperity than they have heretofore enjoyed, greater than has fallen to the lot of the people of any other nation.

I propose in this lecture to speak upon two subjects, distinct, and yet in some respects involved, viz., national debts and foreign and domestic exchange.

By national debts is meant debts of governments in their national capacity. These debts, in their present form, are of recent origin. Four-fifths of their present amount have been contracted within the present century. Their aggregate, exclusive of municipal debts, exceeds twenty thousand millions of dollars. All governments have at times, in one form or another, been borrowers. In early times their loans were local, temporary, and inconsiderable in amount. Italy took the lead in shaping the form of existing national debts by funding temporary loans in interest-bearing obligations, payable at a distant day. Her example was contagious. Other nations not only followed her lead in funding existing debts, but they became borrowers on similar obligations; and as they increased in population and wealth, lenders became plentiful, and there was a constantly increasing demand for this class of securities. The temptation thus placed before governments to borrow, rather than to supply their wants by taxation, became irresistible, and their wants kept pace with their facilities for borrowing. To such an extent have the debts of many of the European States been swollen that the payment of

anything more than the interest thereon is regarded as being among the impossibilities. In the budgets of the richest European nations one rarely sees provision for the reduction of their debts. Their financial ministers are quite content if their estimates show that the interest can be paid, and their current expenses can be kept within current receipts, without an increase of taxation. To meet war expenses, or other extraordinary demands upon their treasuries, their only recourse is to borrow. The French rentes and the English consols are not payable at any fixed day; they are what might be called interminable annuities. The interest is only provided for, and the indefinite postponement of the payment of the principal increases instead of lessening their market value. There is a double influence in favor of the non-payment of the principal of the public debts of solvent nations, the indisposition or the inability of the governments to curtail expenses or to increase taxes, and the unwillingness of investors, who are usually a very influential class, to have their securities redeemed. Either influence is strong by itself; combined, they are sufficient to secure the perpetuation of most national debts. The United States is the only solvent nation in which these influences are not prevalent and controlling. Nobody expects that the debt of Great Britain or of France will ever be paid or considerably reduced; the tendency is towards increase rather than diminution. They are to remain never-ending if not steadily increasing national burdens. That they are burdens, and heavy burdens, ought not to be questioned, and yet the correctness of this statement is sometimes denied by intelligent persons. There are, it is admitted, alleviations in national debts in national growth, and in the use of national securities, but they are alleviations only. It is admitted that the wealth of the most heavily indebted solvent nations has more than kept pace with their debts. Thus the percentage of debt charge upon the national income in Great Britain and France is less now than it was at the commencement of the present century, when their debts, in comparison with what they are now, were quite insignificant. Rapid as has been the increase of their debts, their increase of wealth has

been still more rapid; but for this increase of wealth the debts could not have been contracted; they would have been insupportable long before they had reached their present magnitude. This increase of wealth with the increase of debt is well illustrated in France. At the close of the First Empire, the assignats having been repudiated, and Napoleon having been able to support his armies by levies upon the nations he conquered, the debt of France amounted to only three hundred and fifty millions of dollars. From this small beginning it went on increasing under the Bourbons, the Orleanists, the Republic, the Second Empire, until at the close of the late war with Germany, it had been rolled up to not less than thirty-five hundred millions of dollars. During this period she had been engaged in wars, costly in money as well as in men, and had been deprived of two of her wealthy provinces, and yet the percentage of the charge of her debt upon her income is less than it was when her debt was not a tenth part of what it now is. Her debt, vast as it is, is the property of her own people, and, with the exception of Belgium, she is at the present time the most prosperous country in Europe. All this does not, however, invalidate the statement that national debts are national burdens. France as a nation is not oppressed by her debt, because it is a home debt, and because her people excel all others in industry and thrift. Still it is a burden upon her resources, and can never be otherwise; she is prosperous in spite of it. Her prosperity would be much greater if she were relieved of it. There are also undoubtedly alleviations of the debts of solvent nations in the use which is made of them. They are capital in the hands of those who hold their obligations; hence the influence in favor of their perpetuation. So strong is this influence that the French Government hesitates to reduce the rate of interest upon its public debt.

The opinion that debt in any form could be capital was criticised and ridiculed in his valuable treatise upon Political Economy by Mr. Amasa Walker, a gentleman whom I held in high esteem and to whom I was greatly indebted for the support which he gave me when I held a difficult and trying position. According to Mr. Wal-

ker's definition, "capital is the accumulation of labor." This definition is not quite broad enough, but I admit its general correctness. What a man earns more than he spends is his capital, but does it cease to be capital when he makes a judicious investment of it in public or private securities? The manufacturer invests his surplus earnings in the improvements of his machinery, in additions to his stock, or in enlarging his factory in order that his business may be more profitable; the farmer uses his surplus gains in adding to his acreage or in the better cultivation of his lands, by which they are made more productive, and thus increases his capital by the judicious use of his gains. Now, if instead of making such uses of their earnings or gains, as I have indicated, they invest them in notes and mortgages, Government bonds, or other kinds of interest-bearing and solvent securities, do they by so doing sink their capital, or do they merely change the form of it? The laborer puts a portion of his daily wages in a well-managed savings bank, and thereby becomes, to the extent of his savings, a capitalist. His means are the accumulation of his labor, the bank is his debtor, the debt due from the bank is his capital. If, instead of so depositing his money, he lends it to his neighbor on reliable security or invests it in Government bonds, does he part thereby with his capital? May he not by doing so be taking the surest means of adding to it? It is the business of a bank to lend money. Its capital consists of the accumulation of labor, or of labor and capital combined, does it cease to be capital when it is loaned and transferred into the bills and notes of its customers? It seems to me to be unquestionable that the debt of one man may be the capital of another; that the interest-bearing debt of a solvent State is capital to the holders of the evidences of it. Mr. Walker, in speaking of United States bonds, said that, "they being good securities, the holder can exchange them for cash, and with this can obtain any description of capital he may need; that the bonds are not capital, but only the security upon which capital may be had; that they have no elements of capital about them." I should say, on the contrary, that these bonds cannot only be converted into cash, which is capital, but

that they were purchased with cash, which was capital, and that the cash did not cease to be capital by being invested in them. The bonds of the Government of the United States represent nothing but debt; debt created for the payment of soldiers and sailors who were engaged in the work of destroying property and life, or for the purchase of war material which perished in the using, and yet these bonds, being the obligations of a solvent nation, are capital to the holders. The three thousand million dollars of debt that existed against the Government at the close of the war represented but a part of its cost. The waste of property and the diversion of labor from industrial pursuits amounted, doubtless, to as much more. In a pecuniary point of view, the United States, to say nothing of the loss of property in the slaves liberated by the emancipation proclamation of Mr. Lincoln, and made forever free by the result of the war and the amendments of the Constitution, were at least six thousand millions of dollars poorer than they would have been if there had been no war, and yet, as the solvency of the Government is undoubted, its outstanding bonds, now happily reduced to less than \$2,000,000,000, and which, as far as the Government is regarded, represent debt only, are some \$2,000,000,000 of capital in the hands of those who are so fortunate as to be the owners of them. It is the fact that national debts are capital, and productive capital to those who hold the national securities, which causes them to be regarded with favor, to be looked upon not as a charge upon the national resources, but as obligations devised especially for the benefit of those who have money to invest and desire to live upon the interest. Many Englishmen take this view of the British debt; they call it the FUNDS, and seem to look upon it as if it were an evidence of their country's wealth. This idea, or sentiment, or whatever it may be called, is beginning to show itself in the United States, and it will spread and deepen as the Government bonds are more widely and generally distributed; that no other kind of security is regarded with equal favor is proved by the rapidity with which the four per cents. have been recently taken. Four per cent. is a low rate of interest in the United States—lower,

probably, than will be the ruling rate in years to come, and yet investors, small and large, savings banks and trustees of estates, have been putting their money into these bonds in preference to investing it in other securities bearing a higher rate of interest. It is not strange, therefore, that many of our own people begin to regard the national debt as being, if not exactly a blessing, at least a convenience. It is, however, a burden, and it will never cease to be until paid. There are ameliorations of it, and there are benefits in the use which is made of it, but these only partially offset its evils. The interest upon it is drawn from the people by taxes in the collection of which thousands of men are constantly employed. In a report which I made to Congress in 1865, when the debt had reached its maximum and the policy of the Government in the treatment of it was to be established, I used the following language:

The public debt of the United States represents a portion of the accumulated wealth of the country; while it is a debt of the nation it becomes the capital of the citizen. The debt is large, but if kept at home, as it is desirable it should be, with a judicious system of taxation, it need not be oppressive. It is, however, a debt. While it is capital to the holders of the securities, it is still a national debt, an encumbrance upon the national estate. Neither its advantages nor its burdens are, or can be, shared or borne equally by the people. Its influences are anti-republican. It adds to the power of the Executive by increasing federal patronage; it must be distasteful to the people, because it fills the country with informers and tax gatherers; it is dangerous to the public virtue, because it involves the collection and disbursement of vast sums of money, and renders rigid national economy impossible; it is, in a word, a national burden, and the work of removing it, no matter how desirable it may be for individual investment, should not long be postponed.

Since that report was made I have had some opportunities for observing the operation of national debts in other countries, and my observations have confirmed the correctness of the opinion which I expressed thirteen years ago, and which then pervaded the country. Before our civil war it was the boast of the citizens of the United States that they had no national debt hanging over them to oppress them with taxes or to annoy them with tax gatherers. It may be desirable that a

portion of our national debt should remain unpaid. A certain amount of Government bonds may be required to secure the notes of the national banks and for the protection of legal trusts, but I am sure that the best interests of the people, financial and political, will be subserved by a steady adherence to the policy, which has been pursued since the war, of gradually reducing the public debt until it has been substantially extinguished. I mistake the character of the tax payers of the United States if they would not submit more cheerfully to taxes levied to gradually reduce the principal of the debt than they would to taxes somewhat lighter, but imposed only for the payment of the interest. I have heard commendations of national debts on the ground of their being conservative in their influence, preventives of revolution. Conservative in this respect they may be, but conservative of despotism rather than liberty. Good governments need no such cementing influence; bad ones are rendered more oppressive by it. A government that needs for its support the consolidating power of public debt is not worth preserving. May we not indulge the hope that the future historian of the United States will be able to say that between 1861 and 1865 the Government, in a successful and expensive struggle to preserve its existence and rightful authority, contracted a debt of three thousand millions of dollars, and relieved itself of the burden according to the letter and spirit of its contract before the expiration of the century, and thereby rendered itself exceptional and illustrious among the nations?

FOREIGN EXCHANGE.

By foreign exchange is meant the debts due from the people of one country to the people of another and the instrumentalities in use for transferring and adjusting them. These instrumentalities are bills of exchange which, in the performance of the duties for which they are required, become so interwoven with debts that in treating of foreign exchange it is difficult, if not impossible, to separate them. It must be borne in mind, however, that although they become intermingled they are entirely different in character. Foreign debts, which

are not national debts, are debts due from the inhabitants of one country to the inhabitants of another, and payable where the creditors reside; bills are the agency by which these debts are transferred or offset without transmission of coin from one country to another. The necessity for the use of bills in money and trade transactions between different countries becomes apparent by a simple illustration. Let us suppose A B, of Boston, to be a purchaser of goods in Manchester where C D, of Boston, is a seller of cotton. The latter has, as the proceeds of the sale of his cotton, money in the hands of his consignee or banker which he wants to use not in Manchester, but in Boston. The former has money in Boston which he wants to use in Manchester to pay for the goods he has purchased there. Now, unless some arrangement can be made between them, C D must order his money to be remitted to Boston, and A B must send his to Manchester, both of which remittances would be expensive. To obviate this A B goes to C D and hands him the money which C D needs in Boston, and receives from him a bill on Manchester with which he pays for his goods. A single transaction of this kind would be troublesome; numerous transactions would be impossible; hence there arises a necessity for the services of a banker, whose business it is both to buy and sell bills of exchange, to whom C D can sell his bill for the proceeds of the sales of his cotton, and from whom A B can purchase a bill for the payment of his goods. When the persons who are engaged in foreign trade live in different countries the need of the agency of bankers in both countries becomes apparent. A manufacturer in Manchester, who has sold his goods to an importer in New York, needs a banker in Manchester or London who can cash the bills he draws for the price of the goods; so a cotton merchant in New York, who receives an order for cotton from a Manchester manufacturer, needs a banker in New York to whom he can sell the bill which he draws against the cotton. Trade between countries is not only facilitated by bills of exchange, but its existence upon a large scale depends upon them, and with the necessity for bills arises the necessity for bankers in whose integrity

and solvency entire reliance can be placed. Foreign trade is substantially barter, an exchange of commodities covered by exports and imports. The amount of such exchange is enormous, and they are effected chiefly through the agency of bills; hence the indispensable-ness of this agency.

If the metallic currency of countries that trade with each other were the same, the exchanges between them would be easy; the par of exchange between them would be the proportion of bullion expressed in their respective coins. Although there are in the United States three kinds of legal tender, the exchanges between the United States and Great Britain are regulated by the gold standard. The mint value of the sovereign or pound sterling, as I stated in a previous lecture, is $\$4.86\frac{6}{100}$ in United States gold coin, hence this is theoretically, but not exactly, the par of exchange between the United States and Great Britain. The variations which we notice in the quotations of sterling exchange indicate the activity or inactivity of the demand resulting from present causes. When sterling exchange is high, that is, when bankers sight bills are considerably above the par of $\$4.86\frac{6}{100}$, we know that there is more than an ordinary demand on the part of importers and others for money in Europe. When such bills are selling at $\$4.86\frac{6}{100}$ or below, we know that there is no special demand for them and that the market is dull. So large, however, is the trade of the United States with foreign nations, in which trade the agency of sterling bills is required, that there is not a business day in the year in which there are not large transactions in them. When there is an active demand for sterling bills in New York, we see them quoted at rates considerable above $\$4.86\frac{6}{100}$, the mint value of the sovereign, and it may be asked how such rates are maintained. They can only be maintained up to a certain point, which is called the shipping point—the point at which gold can be profitably remitted to London. While the pound sterling is worth at the United States mint $\$4.86\frac{6}{100}$, it costs something to send it, or its equivalent, in gold to London. Freight and insurance are to be considered before it can be determined whether gold will bear shipment. Then again,

gold coins are subject to abrasion. Even the double eagles which, not being much in current use, suffer less in this respect than the smaller coins, and which, except in extraordinary cases, are the only United States coins sent abroad, do not in England come quite up to their value at home. Sterling exchange must therefore advance considerably above \$4.86 $\frac{1}{2}$ before coin will be shipped. Double eagles cannot be taken to England at a less cost than from a half to three-fourths of one per cent., and as long as sterling bills can be obtained at under \$4.90 to the pound, gold will not leave the United States. It may be said, therefore, that the variations in the exchanges between nations having the same standard of value are controlled by the cost of transferring standard coin from one nation to another. Thus coin is not only a regulator of trade, but it governs the rate of international exchange. It is trade balances which make coin transfers necessary. If trade between nations were carried on by an equal exchange of commodities, there would be no balances to be settled in coin, but this is never the case. The accounts of international trade are never even, and when settlements are to be made, and payments cannot be postponed, coin is indispensable for the purpose.

Some nations get so deeply in debt that they become unable to pay, and they either become bankrupt, as is the case with Mexico, Turkey and Egypt, or having good credit, they adjust the balances against them by sales of their securities, as has been frequently done by Russia. What are called foreign loans, therefore, have much to do with the settlement of balances and the changing of the natural current of exchange. Exchange is sometimes against a creditor nation and in favor of its debtor. Brazil, for instance, although immense in extent and rich in undeveloped resources, is still a poor country, and at times a large borrower. She meets the interest on the money she has borrowed promptly, no matter at what cost. Her credit is therefore good, and her securities are regarded with favor where they are known and held. She offers, through her London agents, the Messrs. Rothschilds, five millions sterling of her bonds to the public, which are

readily taken, and thus, although she is in debt to the same public for ten times the amount on loans previously made, but which are not due, she becomes, by being a borrower, a creditor ; temporarily, it is true, but still a creditor of the nation she borrows from. The money she borrows is needed for immediate use in Brazil ; the debts she has contracted are payable at a future day.

We have an illustration of the uses to which Government securities can be put in adjusting balances in our own recent financial history. Between 1861 and 1873 large amounts of United States Government and corporation bonds were sold in Europe. We have no means of knowing the exact amount, but it was probably not less than five or six hundred millions, the proceeds of which sales were used in the purchase of articles needed in the prosecution of the war, in the construction of railroads, and for the supply of the wants, real or imaginary, of an extravagant people. These bonds answered the purpose of ordinary exports, and kept exchange on London down to, and sometimes forced it below, the standard rates. So that while the outflow of specie was generally steady, small amounts were occasionally returned to equalize exchanges. Singularly enough, the same bonds have been made to perform a double purpose. They were exported to pay for European goods. Some of them have come back again to pay for productions of the United States. They equalized exchanges when the balances were against this country. They have been doing the same thing when the balances were in its favor.

Since the laying of the Atlantic cable electricity has come into very important use in the business of foreign exchange. Transactions to the amount of many thousands of dollars are daily effected between our Atlantic cities and London, by what are called "cables." Bankers on one side of the Atlantic have a key which is only understood by their correspondents on the other side, and by the use of a half dozen words or less large amounts are transferred from a man in the United States to a man in Europe, or from one in Europe to one in the United States, with as much sureness and safety as if remittances were made in coin by steamships or by

bills of exchange. If, therefore, a merchant in Boston desires to make a purchase or pay a debt in London, instead of buying a bill of exchange for this purpose, he can go to a banker and buy a "cable." He has nothing to do with making the transfer. He merely says to the banker that he wants a certain sum placed in the hands of a person whose name and address he gives. The banker immediately instructs his correspondent to pay the amount to the person named, and the transaction is at once accomplished. So reliable has this means of transfer become, that payments to be made in the commercial cities of Europe, by debtors in the United States, can safely be postponed until the evening before the day they become due. When payments are to be made on this side of the Atlantic, so much more rapidly does electricity move than the earth, that a debtor living in London or Paris may use his money until three o'clock in the afternoon and have the debt which he owes paid in Boston, or New York, or Philadelphia, or Baltimore, or New Orleans, or San Francisco, the same day and by the use of the same money. All great commercial cities are now united by cables and land lines of telegraph, so that remittances can be made in this way all over the world. Credits on London can be opened by bankers in the United States, through their London correspondents, today, under which goods may be purchased in Yokohama, Bombay, Calcutta, or Ceylon to-morrow. Electricity has thus become one of the time-saving and interest-saving agencies of the day. To such an extent is the ability to make transfers of money by telegraph relied upon—so important are the transactions dependent upon daily communications—that a break in the Atlantic cables would discredit, if it did not ruin, scores of banking and commercial houses, and send confusion into hundreds of counting rooms.

While the business of foreign exchange between nations having the same standard of value is simple and easily conducted, it would be complicated and difficult when the transactions are between nations having different standards, were it not for the relations of these nations to Great Britain. There is no difference, or so slight a difference, that it is unimportant, in the price of

gold as bullion, in nations where gold is the standard, or where, if the double standard exists, gold is in use in all international transactions, so that bankers who deal in foreign exchange have a reliable basis upon which they can work in dealings with such nations. But there are other nations in which there is no stable measure of value—in which fluctuations are so sudden that they cannot be foreseen or guarded against. Exchange transactions with Oriental nations where silver is the standard, or with Russia or Italy, where paper is chiefly in use, or with Brazil and Buenos Ayres, where gold and silver are practically unknown, could only be carried on with considerable risk, were it not for the fact that all these nations are in debt to Great Britain, and that in consequence thereof there is a constant demand in them for sterling bills. Such transactions can, therefore, be carried on with these nations without risk to the bankers who furnish the bills or to those who use them. London has necessarily become the clearing-house of international exchanges. There is not a place in the world where foreign trade is carried on, in which bankers' bills on London, or bills drawn under London credits, are not available and in demand. If, therefore, a merchant in the United States desires to purchase silk in China, or coffee in Rio, or guano in Peru, or hides in Buenos Ayres, he does not send money to these countries, but he goes to some banker and obtains from him a letter of credit authorizing him or his agent to draw for the amount named therein on some banking house in London whose reputation is established in the place where the credit is to be used. The bills drawn under this credit are sold for the currency of the country, and with this currency purchases are made. To obtain such a letter of credit the merchant either deposits money with the banker or he gives him satisfactory security that he will put him in funds to cover the bills drawn by the authority of the credit, before they are payable, together with the banker's commission, usually about one per cent., which is divided between the banker who issues the credit and the banker who accepts the bill. These credits are of two kinds. They are either what is called clear credits, that is, credits which authorize drafts to be drawn with-

out conditions, or documentary credits, which require that the drafts drawn under them shall be accompanied by bills of lading and policies of insurance, covering the property purchased with the proceeds of the drafts, which property the acceptor takes possession of on its arrival, and sells, through a broker, for the account of the drawer. Bills of exchange drawn under such credits, whether clear or documentary, are usually payable sixty or ninety days or four months after sight, it being the desire of those to whom the credits are given that the time may be long enough to allow property to be purchased, shipped, and sold before the bills mature; and it so turns out that very large transactions are completed in this way by credit alone, and without any cash advances. The rates of interest are generally very low in London, and there are discount houses there which are always prepared to discount London bankers' acceptances on the most favorable terms, so that the holders have no difficulty in obtaining the money on them before their maturity. Credit is the life blood of commerce and trade; to none is it more important than to bankers, and by none more judiciously used. To deal advantageously in foreign exchange, bankers must have the highest reputation for capital and integrity. With such a reputation, their ability to use their credit is practically unlimited.

Americans who intend to travel in other countries, generally, instead of taking gold with them, provide themselves with what are called "travelers' letters of credit," issued by well-known bankers, authorizing them to draw for the amount named in such letters upon the correspondents of the bankers in London or Paris. usually upon the former, as bills on London are in demand everywhere. These letters give the names of the banker's correspondents, not only in all the principal cities of Europe, but of Asia also, who will cash the drafts drawn under them at the current rate of exchange. Provided with such letters, travelers can go where they please, without the risk and trouble of taking coin with them, and without the losses to which they would be subject, if they were exposed to the tender mercies of money brokers, in passing from one country

to another. The operations of large dealers in foreign exchange extend throughout the commercial world. Messrs. Kidder, Peabody & Co., or Blake Brothers, of Boston, for instance, are doubtless prepared to furnish drafts on all the principal European and Asiatic cities. They do not keep balances in the hands of all the houses upon which they draw. They cover their drafts either by direct remittances or by authorizing the houses which cash them to cover the amount by drawing on their London correspondents, and so well is their credit established that their drafts are as current as the notes of the Bank of England.

It is interesting to notice how debts due one nation are offset by debts which it owes to another. The United States, for instance, buy more of Brazil and China than she sells to them, and consequently is their debtor; and yet no coin is sent to Brazil, and while some silver goes to China from San Francisco, the amount is not sufficient to cover the balance in her favor. The balances due these nations are paid not by coin, but by exports to other countries. Thus the United States are indebted to China and Brazil, which are debtors to Great Britain; Great Britain is in debt to the United States, and so by a transfer by means of bills of exchange the debt due to the United States from Great Britain is made to pay the debt of the United States to China and Brazil. Thus the cotton and wheat sent from the United States to Europe pay for the coffee which comes from Brazil and the tea and silk that come from China.*

While, however, the indebtedness of one nation to another may be affected in the manner I have named with regard to the United States, it will be found to be true,

* I was happy to learn a day or two ago from Mr. Edward Atkinson, an excellent authority on all such matters, that our exports of cotton goods to China are now nearly large enough to cover our purchases.

When I speak of nations in regard to their trade relations, I do not speak of them in their national character. Nations, as nations, are not engaged in trade, nor are they money lenders. There may have been exceptional cases in which a nation has helped another to borrow by guaranteeing its obligations, but I can call to mind no instance in which one independent government has been a lender to another.

as a general rule, that the nation that buys more than it sells will be a debtor nation, and the one that sells more than it buys will be a creditor nation, and that the prevailing current of exchange or movement of coin will clearly indicate which is creditor and which is debtor.

There is a good deal of discussion going on upon the subject of international trade, and there are some persons, not destitute of intelligence, who contend that not only can no reliable estimates be formed of the financial relations of a country with other countries, by a comparison of its imports and its exports, but that an excess of imports indicates a healthy and profitable trade. It would be difficult, however, for them to point to any country, except Great Britain, to which the general rule I have named does not apply. Her position is an exceptional one. For many years the imports of Great Britain have largely exceeded her exports, and during these years she has been gaining steadily, and sometimes rapidly, in wealth. This apparent anomaly is explained by the fact that she is the creditor nation of the world. For nearly half a century she was the great international workshop. Being the first to utilize steam power, and having an abundance of coal and cheap labor, the raw material was brought from all parts of the world in her own ships, to be manufactured and distributed among the nations. For many years London was the emporium for foreign goods, whither merchants went from all parts of the world to make their purchases, and it has been for a long period, and still is, the world's banking house. It is the interest on the money she has loaned; the freights of her ships; the profits on her exports; the commissions paid to her bankers; the use of her capital in other countries, that have given to Great Britain the ability to import more than she exports, and yet continue to be a creditor nation. The excess of her imports represents her income, which she receives in the articles she needs for consumption. There is no other nation in the world, not even France, her rich neighbor (for France holds but small amounts of foreign securities and has little foreign carrying trade), whose imports could continually exceed her exports without impoverishment. Great Britain is now undergoing severe trials. In manufac-

turing she has strong and active competitors on the continent and in the United States, and consequently she has a very large amount of unproductive capital in mills and factories, for much of which there is no employment; while her efforts to meet this competition successfully by reduction of wages are in a large measure rendered abortive by strikes among her laborers. Her Eastern trade has also, of late years, been unprofitable. She has probably seen her most prosperous days. Still she stands at the head of the nations in wealth and in the extent of her imperial domain. She is surpassed by no nation in enterprise; her government is stable and wisely administered; her colonies encircle the globe; her ships cover the sea; her credit is supreme everywhere. How long she will be able to retain her commercial and financial ascendancy, time alone can determine. I see no indications that she is soon to be deprived of it, notwithstanding the present depression of her industries and the adverse balance of her imports over her exports, amounting to sixty millions of pounds in 1877, a balance exceeding the total exports of the United States. Great Britain is an anomaly among the nations; judged by ordinary rules, she ought long since to have been bankrupt.

The subject of foreign exchange, to which I have thus briefly directed attention, is a large and interesting one, well worth the consideration of political economists, as well as of merchants and bankers, who are personally interested in it.

DOMESTIC EXCHANGE.

Domestic exchange was a very interesting subject to bankers and traders twenty years ago. Since then the use for domestic bills has been greatly lessened by improved and increased facilities of shipping commodities from one part of the country to another; by the saving of time in their transmission, and a uniform paper currency. Railroads are doing, to a very large extent, what used to be done by vessels and boats. Days only are now required, instead of the weeks formerly consumed, in shipments from the West to the seaboard. Twenty years ago the grain, the flour, the beef and pork purchased at Chicago and other Western lake ports during

the winter, remained in store until the opening of the navigation in the spring, and when shipped were from thirty to forty days in reaching the Atlantic ports. Now such articles are largely forwarded in winter, and also in other seasons when navigation is open, by railroads, and by reason of the competition between the trunk lines, at much less expense than was formerly incurred in transportation by water. Months in the winter season, and weeks at other times, are thus saved; and sellers and buyers are brought so closely together that the transactions between them are, to a great extent, cash transactions, in which the agency of bills is not needed. While the business in domestic bills has been lessened in amount by these causes, it has been reduced in profit to bankers by the uniform value of our paper currency. Under the old banking system bankers' bills on New York commanded throughout the West, on a coin basis, a premium of at least one per cent. Except at times when there was an extraordinary demand for currency in the interior, New York exchange was more frequently above one per cent. than below it. I have known as high as five per cent. premium to be paid for bankers' drafts on New York in the notes of nominally specie-paying banks. Now an eighth or a sixteenth is all that can be obtained for them. Under the State bank system there were very few interior banks whose notes were not at a discount not only in New York, but in all the seaboard cities. The country banks of New England kept their notes at par in Boston, and a few of the banks of the State of New York redeemed theirs in the city, but three-quarters of the notes of what were regarded as being solvent banks throughout the Union, were uncurrent in the Eastern cities. Hence there was a constant and large demand for bankers' bills on the part of Western and Southern merchants, who had purchases to make or debts to pay in the Eastern cities, on which bills the bankers made a handsome profit. Such bills now pay the smallest fraction over the cost of forwarding United States notes or national bank notes by express companies, which have extended their lines into every part of the country. While the value of property exchanges between the different sections of the United States has

been rapidly increasing, the use of bills in effecting these exchanges has been rapidly falling off. It is hardly too much to say that the business in domestic bills, once so large and profitable to bankers, has been virtually destroyed by railroads, a uniform currency, and express companies.

SIXTH LECTURE.

TAXATION.

My lecture this evening will be a long one. I wish I could say that it will be interesting, as well as long. Before proceeding with it, I desire to say that in speaking, last Tuesday evening, of the great reductions of our foreign debt, I had reference only to our national debt. The amount of Government bonds on the other side of the Atlantic is estimated at two hundred millions of dollars. We have no data by which the exact amount can be ascertained, but I am sure that we shall not be wide of the mark if we put it at the figures I have named. Whatever the amount may be, it is not likely to be speedily reduced. The credit of the Government is now so good that our four per cent. bonds are taken at a premium in the very country (Great Britain) in which the six per cents. were regarded with so much distrust that none of them were purchased until long after very liberal purchases had been made by the Germans, the permanency of the Union had become assured, and considerable progress had been made in the reduction of the debt. It took the English capitalists much time to realize the fact that the rebellion had been crushed, and that the bonds of the United States were really solvent securities. Meanwhile they were rapidly appreciating in market value, and when the English capitalists began to invest, they had advanced some twenty per cent. from the lowest point.

In speaking of our foreign debt I had no reference whatever to the State, municipal or corporation bonds and stocks in foreign hands. The amount of them must be large, and I am glad that a very intelligent young gentleman, connected with this University, is preparing a paper showing, as nearly as it can be ascertained, what

they amount to. Everything that enlightens us in regard to our financial relations with foreign countries is valuable.

One word more. I have been surprised at the apathy which I witness among the intelligent merchants of New York and Boston in regard to the dangers which are yet to be surmounted before really solid ground is reached. They seem to feel, that as the Government notes and bank notes are now at par with gold, there is no reason for apprehension in regard to the future; that a smooth sea is before them. They seem to be unmindful that the favorable condition of our foreign exchanges, without which specie payments would have been impossible, is attributable to our harvests, which for the last three years have been abundant, and to the unusual demand for our agricultural productions in Europe, neither of which advantages can be relied upon as being permanent. They seem also unmindful of the fact that, while Great Britain has twice as much, and France three times as much specie as paper currency, the United States has some seven hundred millions of Government and bank notes in circulation, on a basis of less than three hundred millions of gold and silver. Nor do they properly appreciate the very important fact that a powerful party is in favor of further, if not unlimited, issues of United States notes, and of the free coinage of silver, without reference to the actions of European states, and that dangerous legislation upon both these subjects by the present Congress may only be prevented by the veto of the President. I am no alarmist. I am not, because I have confidence in the resources of the country and in the good sense of the people. The history of the last eighteen years has shown that there is a latent power in the people of the United States which is equal to the greatest emergencies, but this power to be effective must be active. There are dangers ahead which can only be escaped by the vigilance and earnest efforts of those who have the greatest interests at stake. The new constitution of California shows the drift of sentiment in that State and may indicate danger nearer home.

I now proceed with my lecture, which will be historical, and preparatory for the one which is to follow.

Taxation is a necessity of social and political organization; commencing with government in its simplest form, imposed in the simplest manner, it has been changed in character and increased in burden with the increasing demands of the institutions which have depended upon it for support. If public affairs had been administered with economy and wisdom, and there had been no wars, taxation would not have been grievous; the means to pay would have more than kept pace with expenditures. In most countries, however, the burden has been greatly disproportioned to the ability of the people to bear it. In many instances the decline of nations has been attributable to oppressive taxes. High taxes retard progress, and even in nations that are gaining steadily in wealth and power, they weigh heavily upon a majority of tax-payers.

Of all the causes of national indebtedness, and consequently of high taxes, war has been the most potent. The \$20,000,000,000 of national debts now outstanding were born of war.

The foundation of the British debt in its present form was laid in the latter part of the seventeenth century; before that period the English monarchs had borrowed money for the support of royalty and war expenditures, but their loans were temporary and were either paid or repudiated soon after they were contracted. Borrowing was difficult and expensive until the funding system was introduced. It became easy when public securities, the interest upon which was to be paid semi-annually, became desirable for investments. The debt of Great Britain at the commencement of the war of the American Revolution had reached £136,000,000. In the forty following years more than £700,000,000 were added to it; and, although since 1830 the debt-paying power of the nation has been enormously increased, the debt has been but slightly reduced; it is still about £800,000,000, or \$4,000,000,000, furnishing in the form in which it exists desirable security to those who have money to invest, but remaining, and destined to continue as long as her national existence continues, a fixed charge upon her income, a burden upon her tax-payers; a burden which will be more and more severely felt if she should

become crippled in her industries by foreign competition.

We need not, however, look to other nations for an example of the creation of a national debt and an increase of taxes. At the commencement of the late civil war the United States had no national debt, or rather none large enough to be mentioned as such. By four years' war, a war necessarily expensive by the forces engaged, and rendered doubly expensive by the use of a depreciated currency, a debt was created, second then only to the debt of Great Britain in amount and more burdensome than hers, by the higher rate of interest which it bore. Fortunate was it for the people of the United States, unaccustomed to a public debt, that they looked upon it as a burden to be removed and not a blessing to be perpetuated. In 1791 Sir Robert Peel, father of the distinguished Prime Minister, published a pamphlet in which he undertook to prove that a national debt was a national blessing. I do not know how this doctrine was regarded by the English people, but when the same doctrine was advanced by a prominent citizen of the United States in 1865, it was treated with derision. If the sentiment of the country should change with respect to the real character of the public debt, if the tax-payers should cease to regard it as a national burden to be removed by gradual and continuous reductions, it will be by the influence of the holders of the Government bonds and a paper currency. Not only was our national debt created by the war, but a vast amount of individual and municipal indebtedness (under which latter head I include the indebtedness of cities, towns, counties and townships) was the consequence of it. The large expenditures of the Government in the prosecution of the war, and a redundant paper currency after the war was ended, not only gave an impetus and activity to trade and manufacturing, but brought into existence so many unwise and speculative enterprises and stimulated extravagance to such a degree that municipalities and individuals plunged into debt with a recklessness beyond precedent. A large part of the personal indebtedness has been wiped off by bankruptcy, the rest will be closed in the same way, or paid by the gains which are the certain results of well-directed in-

dustry and economy. The municipal debts remain, the payment of the interest upon which is testing both the ability and the honesty of the tax-payers.

The revenues of the Government are mainly derived from the customs and excise duties. Indirect taxation is the most insidious and consequently the most dangerous to which the people can be subjected. It is insidious because it is felt only in the increased cost of articles which are consumed; dangerous because it fails to check expenditures. If the Government were supported and the interest upon the public debt were paid by direct taxation, there would be an economy in the use of the public money which would be in marked contrast with the expenditures under the present system. Reform is now in order. Municipal bonds are no longer regarded with favor, tax-payers are much more interested in the subject of taxation than they were when the country was apparently prosperous, and we may hope that excessive issues of paper money will not long be possible. How to raise money for the support of municipal governments and the payment of the interest on municipal debts is the question of present especial interest. Most of these debts have been contracted within the last ten years. Of the \$800,000,000 of existing municipal debts, \$600,000,000 have been contracted since 1868, for only a portion of which is there any compensation in an increase of debt-paying ability. Some of the debts were created by subscriptions to railroads, which have never been completed, or whose stock and bonds are valueless; some by costly public buildings; some by so-called improvements of streets, now in a worse condition than before money was expended upon them; some by robberies committed by trusted officials. It is no exaggeration to say that one-half of the moneys for which municipalities are now in debt has been wasted or squandered.

Prior to the war high taxes were unknown. The wisdom required for raising the largest revenues with the least oppression to industrial pursuits is yet to be acquired. In most of the States and cities personal property of every description, tangible and intangible, except Government securities, Government notes and notes of the national banks, is subjected to the same rate of tax-

ation as real estate, according to its appraised value. The intention of the tax-levying authorities is to prevent anything from escaping its share of burdens. That most of the personal property does escape is manifest from the returns which are made to the assessors. In the city of New York, for instance, it is made the duty of every resident citizen to make on or before the first of April a return of his personal property, including all his securities, his deposits in bank, money on hand and the debts due to him less the amount that he owes; substantially upon everything except stocks on which taxes are paid by the corporation, of whose capital they are a part, and the amount invested in Government obligations. The aggregate amount of the personal property subject to taxation in that city, if a fair return of it were made, would doubtless amount to nearly as much as the appraised value of the real estate, and yet the records show that its real estate bears eighty-five per cent. of the taxation. I have seen a statement—doubtless a correct one—that in one of the wealthy cities of the State, containing between thirty and forty thousand people, sixty-seven persons only had last year any personal property subject to taxation. A large proportion of personal property is intangible and invisible. It escapes taxation because no return of it is made. Very few persons are perfectly honest in the returns which they make to the assessors. There is not a State or county in the Union where such property is taxed in which that which is intangible does not escape its proper proportion of burden. This is true in a much larger degree in cities than in rural districts. In the former the tax-payers have facilities for concealment which are not possessed by tax-payers in the latter. Farmers are not usually the holders of any considerable amount of securities. Their property is chiefly visible, and if any of them do hold taxable securities the fact is usually known in the neighborhood and rarely escapes the vigilance of assessors. Then, too, they are more permanent in their residence than people who reside in cities, and they have less inducement to conceal their means, inasmuch as having no municipal taxes to pay, the taxation to which they are subjected, compared with that in cities and towns, is small.

On the other hand, the larger part of the inhabitants of our great cities are not the owners of the buildings which they occupy; they frequently change their places of residence; they are not known to their next door neighbors; their means consist largely of intangible property, the existence of which is known only to themselves. The rate of taxation is high; the inducement to make dishonest returns is strong, and the public sentiment against this kind of dishonesty is less pronounced in cities than in the country. The high taxes in cities also drive thousands of men who do business in them into the neighboring towns where taxes are lower. Large numbers of business men of New York and Boston have their residences in suburban towns. There are undoubtedly other inducements for living where they do, but the avoidance of high taxes is with most of them an important consideration. They make their money in the cities, they enjoy all the advantages in the transaction of business which residents enjoy, but they contribute little or nothing to the support of the State governments or to the payment of the interest on city debts. Hundreds of rich men in Massachusetts (and it is not a pleasant fact to contemplate) are constantly on the wing to escape taxation.

The exemption of the obligations of the Government from taxation is another important fact to be borne in mind in considering the subject of taxes upon personal property. There are not less than \$1,600,000,000 now invested in the United States in Government bonds, to say nothing of Government notes and the notes of the national banks, from which no revenue is derived. It is true that this exemption enables the Government to reduce the rate of interest on its bonded debt, and that tax-payers derive indirect advantage from this exemption. But the interest on the public debt is paid by excise and customs duties, which, although they add to the cost of the articles which enter into general consumption, are not cared for by the masses. It is direct taxes—taxes which are levied for the support of municipal Government and the payment of the interest on municipal debt, that tax-payers complain of and seek to avoid. Then, too, the system of taxation differs in

different States. In some, for the purpose of encouraging home industries, all manufactures are exempt from taxes; in others everything is taxed: the grain which the farmers need for the support of their families; the horses required for the cultivation of their lands; the cows even, upon which many families largely depend for support; the absolute necessities of life are subject to taxation.

In many States and cities the income from Government four per cents, which are exempt from taxation, is equal to the income from six per cents which are taxable, in some cities it is larger. There is also, in many States and cities, what may be called double taxation. Thus, mortgages upon real estate are taxable, as is also the property that secures them. Depositors are taxed for their deposits in banks, while the banks are taxed on the same deposits; and yet, with all the efforts that are made to reach it, probably three-quarters of the personal property in the United States subject to taxation escapes it.

Taxation of personal property in many cities is so oppressive to industry, so unequal, so demoralizing, that many of our most judicious economists have come to the conclusion that it would be advisable to discontinue it and adopt, substantially, the British system.

In Great Britain capital, except so far as real estate is capital, is not taxed. Manufactures, stocks in trade, ships, in fact all industries, the prosperity of which is national prosperity, are exempt from taxation.

The question then arises, in view of the objections which lie against taxation upon personal property, would it be possible, and if possible, would it be advisable, to relieve this class of property altogether, and look to other sources for the necessary revenues? And would it be judicious to tax the rentals of real estate, instead of the real estate itself? Could a system, which works well in an old country like Great Britain, where land is a luxury and held chiefly by the wealthy, and where the income from it is reliable and can be estimated with certainty, be safely and with justice introduced into a new country like the United States, where so large a portion of the land is uncultivated and held for the

prospective rise in value, and where few wealthy people have country estates? In Great Britain the income of lands (although the crops vary in amount, as everywhere else, as the seasons are favorable or unfavorable, and in value, by the ever-controlling law of supply and demand) can be estimated for a series of years with nearly as much accuracy as the income from consols. In that country money is rarely invested in unimproved lands, with a view to an advance in value by increasing population and improvements around them. In the United States many millions of acres are so held. Some men purchase Western lands and put them under cultivation; others purchase lands and permit them to remain uncultivated, to be enhanced in value by the labor bestowed upon those which are improved. It would certainly be unfair to tax the labor and capital which have made the cultivated lands productive, and relieve from taxes the uncultivated lands which have been increased in value by this very capital and labor.

It is contended, but erroneously, that land has no value in itself, that it is made valuable only by the labor and capital bestowed upon it. It is not true that agricultural lands are only valuable by the money laid out upon them. They are made valuable by the growth of the country in which they are located. It is not true in regard to city property. One man buys a lot in the newer portions of a city, and does not build upon it; the adjoining lots are built upon and the unimproved lot thereby is increased in value. Hundreds of men have been made rich in all our cities by the expenditure of others. Exemption of lands and city lots from taxation, because no income is derived from them, would be in fact a contribution from those whose capital and labor are building up cities and bringing wild lands under cultivation, to the gains of those who contribute nothing in this direction. It would be giving decided advantages to inactive over-active capital. For these reasons and others which I have not time to enumerate, taxation of rents instead of land itself would be quite unsuitable to the United States.

Would it, then, be advisable for States and municipalities to exempt intangible property and to look for their

necessary revenues to taxes upon land, upon corporations, and to personal property which cannot be concealed, taxation upon which would not be a tax upon honest and productive industry? My own opinion is that it would.

Taxation upon personal property under prevailing systems is a temptation to concealment, to fraud, to perjury. It is a check upon legitimate enterprise, a burden upon industry. In many States and cities men who make honest returns of their property cannot afford to be holders of their State and municipal securities in which they would prefer to invest their money, consequently, such securities are chiefly held by those who do not make honest returns or by non-residents. If these securities were exempt from taxation there would be a home demand for them, and a home influence in the support of State and municipal credit, which does not now exist. If the State and municipal bonds were held in the States and municipalities that issued them, we should hear nothing of repudiation. Every obstacle in the way of their thus being held should be removed. Public debts are always burdensome, but the burdens are greatly relieved when the tax, the imposition of which is rendered necessary by their existence, is returned in the form of dividends or interest to the same community by which the tax is paid.

The taxation upon all taxable property in the city of New York is \$2.55 per hundred, consequently none of its four per cent. bonds are held by resident citizens. All are held by non-residents, and the city draws no revenue from them. An honest citizen holding such bonds would receive only $1\frac{55}{100}$ per cent, while $2\frac{55}{100}$ would go into the State or city treasuries. Nothing can be more injudicious than taxes by States and cities upon their own obligations. Not only is little or no revenue derived from them, but a great deal of conservative influence is lost by their being held elsewhere than at home. If the bonds of the large cities of the United States were held by their own citizens, and they would be so held if they were exempt from taxes, the rate of interest might be reduced and there would be a perfect assurance that they would never be dishonored.

Taxation in Pennsylvania is not as judicious as it might be, but it is much more equitable and judicious than it is in other States. I quote from a letter lately received from Mr. George W. Childs, the proprietor of the Philadelphia *Ledger*, as follows :

The State [of Pennsylvania] does not tax real estate at all for State purposes, but derives its revenue almost exclusively from taxes on corporation stocks, loans, earnings, gross receipts, mortgages, money at interest, licenses to taverns, retailers, pedlers, and taxes on foreign insurance companies, premiums on charters granted and collateral inheritances, law deeds and writs, etc.

The State leaves real estate to the cities and counties to be taxed for local purposes and local revenue.

In Philadelphia the only personal property taxed for local purposes is comprised in two classes: First, household furniture; second, horses, carriages, and cattle. The amount derived from these is inconsiderable, the aggregate taxable value of both of them for this year being \$7,932,000, as against a real estate valuation for taxation purposes of \$534,964,864.

Our system is essentially different from that of New York, and may be summed up in these two brief sentences: The State gets nearly the whole of its tax revenue from taxes on corporations and lets real estate alone. Cities and towns derive the tax revenue from real estate and let personal taxes alone.

In closing this branch of my subject, which my limits prevent me from discussing at length, I have only to say that from the best information I have been able to obtain there is no State or city in the Union in which taxation is so equitable, so wisely distributed, and so cheerfully borne, as in Pennsylvania and in her great and prosperous city.

It will be perceived that the revenues of Philadelphia are derived almost exclusively from taxes upon real estate, and that the exemption of personal property altogether would not affect them to any appreciable extent. The State of Pennsylvania taxes some things that ought to be exempt, but her system is so superior to that of other States, that it might be very advantageously initiated.

I come now to speak for a few moments upon a subject in regard to which great diversity of opinion has prevailed since the formation of Government—a diversity which still exists, notwithstanding it has been more

fully and ably discussed than any other subject pertaining to the public revenues. It has been in times past, in a very large measure, a sectional question; it has created more alienation between Northern and Southern States than any other question except slavery. It gave birth to nullification, the parent of secession. The South, being an agricultural country, producing large quantities of cotton and tobacco for exportation, the value of which depends very much upon foreign markets, has been in favor of free trade or a tariff for revenue, while a tariff not only for revenue, but for the encouragement and protection of home industry, has found its chief support in the North. There has never been, it is true, a solid South or a solid North on this interesting question. There have been statesmen of the South who have favored protection, there have been statesmen in the North who have opposed it, but the prevailing sentiment in the South has been opposed to all duties not levied for revenue only. The prevailing sentiment in the North has been in favor of protective duties also. This sectional difference of opinion is disappearing; the people of the South are no longer exclusively an agricultural people; they are becoming to some extent manufacturers. The Southern advocates of free trade are less earnest than they formerly were, while in the Northern States, as their cotton manufactures are no longer in dread of foreign competition, the sentiment in favor of protection is becoming day by day less strong and united. This change of opinion in the two sections has not, however, lessened the importance of the tariff question. There never has been a time when, in view of the action present and prospective of foreign nations, and the condition of our foreign trade, this question was of so much practical interest and importance as now.

Before the war, when the Government was free from debt, there were many opponents of all restrictions upon foreign commerce. To-day, with the necessity pressing upon the Government for large revenues, an advocate of absolutely free trade it would be difficult to find. It is admitted on all sides, even by those who were formerly advocates of free trade, that a large part of the revenues

must come from duties upon foreign goods. The question, then, upon which opinion is now divided, is the old question—no longer, as heretofore, a sectional one—Shall custom duties be levied for revenue only, or shall they be levied for revenue and also for the protection of the manufacturers of the United States against the manufacturers of Europe? I am not one of those who believe that the general principles of political economy are equally applicable to all nations or to nations in their different stages of growth and development. Political economy is not one of the exact sciences. It is the science of national wealth. But the wealth of each country depends upon its own productions and the use that is made of them. If purely an agricultural country, its wealth would be the result of the proper cultivation of its lands and the sale of its products to other nations, or the exchange of them for articles which it needed and could not produce; if an exclusively manufacturing country, its wealth would depend upon the capital which it could invest and the skill it could educate and employ in converting raw materials into articles for use, and the markets it could command for them; if it were a maritime country only, its wealth would depend upon the number of ships it could build and the carrying business it could obtain. There are, however, no such countries, none that are exclusively agricultural or manufacturing or maritime. All are, to a greater or less degree, both agricultural and manufacturing countries, and there are very few which have not both seaports and ships. None becomes wealthy without diversified industry. Nearly three-quarters of the people of France are engaged in agriculture, but the great accumulations of wealth in France have not come from her soil, but from the skill, the taste, the industry and economy of her people, for which they are so greatly distinguished. On the other hand, Great Britain is the greatest of manufacturing and maritime nations. Her gains as such have been exceedingly large, but her wealth would have been small, in comparison with what it now is, had not her lands been kept under the highest cultivation. The United States has a larger number of fertile acres than any other country in the world. Her productions are varied

and of indispensable utility. She can produce all articles necessary for the support of man cheaper than they can be produced elsewhere, and yet the United States would be to-day a dependency upon the older nations of Europe if her people had been confined exclusively to agricultural pursuits. No country has such superior advantages in agriculture, in manufacture or shipping that it can rely exclusively upon either. All are populous enough, all have advantages enough for the varied industries upon which national prosperity depends. Nor, as I have said, are the same rules equally applicable in all stages of national growth and development. This fact is exhibited in the history of our own country. Fifty years ago the people of the United States found almost exclusive employment in agriculture, in the fisheries, in ship building and navigation. Now the United States is rapidly coming to the front as a manufacturing country. There are few parts of the world in which her manufactures are not known. Her manufacturers are not only able to supply the home demand for goods of nearly all descriptions, but they are able to compete in the sale of such goods with European countries. Not only so, but some of their manufactures are finding their way into these very countries. American cotton goods find purchasers in Manchester, American cutlery in Sheffield, American musical instruments in Italy, American watches in Switzerland. The growth of manufactures in the United States within the last half century is without precedent in the history of nations, and great and rapid as has been this growth, agriculture has kept pace with it. While the United States has thus been gaining as a manufacturing country many millions of acres of land have been put under cultivation. Agriculture and manufacture have, in fact, advanced together hand in hand, and now in the hundredth year of her national existence, the United States is taking the lead as an agricultural country, and is second only to Great Britain and France in manufactures. This growth has taken place while it has been disregarding the teachings of political economists that all restrictions upon commerce retard national prosperity. Has the United States suffered thus far by this violation? Would

the cotton mills, which have added so largely to the wealth of New England, have been built; would the iron mines of the Middle States have been opened and profitably worked, as they have been, had there been no protective duties? Would the advancement in the United States in productive power and substantial prosperity have been so great as it has been if no restriction, no discriminating duties, had been placed upon the importation of foreign goods? In my opinion, these questions must be answered in the negative. Great Britain, with her large capital and skilled and cheap labor, would have had the power to prevent the growth of our most important branches of manufactures, and she would not have failed to use it to the fullest extent, if she had been permitted to do so. There have been, undoubtedly, very great offsets to the advantages derived from protective duties, and the United States has been a loser as well as a gainer by them. They have been instrumental in producing investments in some kinds of manufactures that can never be made profitable; large amounts of money have been sunk in cotton and woollen mills and iron foundries unwisely located, and which would not have come into existence but for the high prices which restrictive duties in part created, and which no restrictions could now vitalize. These duties have also tended to prevent that exercise of economy which is indispensable to success in all branches of industry, and to none more than in manufacturing. Manufacturers have looked too much to the support of the Government against foreign competition and have failed to exercise proper prudence in the management of their business. Then, too, our tariffs have been so injudiciously framed that they have crushed some branches of industry, which would have been profitable without them, and they have largely diminished our foreign trade. Still, if the gains and losses resulting from protective duties could be fairly estimated, we should, I think, be forced to the conclusion that the balance is on the side of protection. Protective duties did not originate in the United States. One needs to go no further back than the commencement of the present century to find upon the statute books of Great

Britain prohibitions of trade between her own countries, and the most rigid restrictions upon importations of foreign goods. What were known as the Corn Laws were repealed only a quarter of a century ago, after the severest struggle between the Commons and the landed interests.

Fifty years ago there were not only heavy duties in Great Britain upon raw silk, but the sale of foreign silk goods was absolutely prohibited. She now imposes customs duties at home for revenue purposes only ; but she has not been quite able to enforce her free trade policy in her own colonies. Small restrictive duties exist in India and Australia. Canada has recently adopted a protective tariff which is not only retaliatory and discriminating against the United States, but which imposes high duties upon British fabrics. Nor is it by any means certain that Great Britain will be able to maintain her free trade policy even at home. There are very strong indications that she cannot or will not unless there is a modification of the restrictive policy of other nations, and especially that of the United States. No one can be long in England without perceiving evidence of a steadily increasing sentiment against what is called one-sided free trade. Great Britain levies no duties for protection, but she derives very large revenues from duties on importations, no considerable part of which are derived from tobacco and spirits imported from the United States.

While, however, I think that it must be admitted that protective duties were needed in the United States for the encouragement and support of manufacturing industry in its growth and development, there ought not to be any question that the need of them no longer exists ; that they are becoming serious impediments to national prosperity. The question now to be considered is not whether protective duties have been right or wrong in the past, not whether the United States has been the loser or gainer heretofore by the restrictive policy. On this point opinions widely differ, and there are no means by which it can be decided. One thing is apparent—the manufacturing interests of the United States have for some years been greatly depressed, and

they are still depressed. The inquiry, then, should be, How shall this depression be removed? From whence is relief to come? In my opinion, it can only be looked for in an increase of our foreign trade, in larger markets for our manufactures. We can now manufacture all articles, in the production of which machinery is made to do largely the work of hands, cheaper than they can be manufactured in Europe, and there is no obstacle in the way of a largely increased trade with foreign nations but our refusal to trade with them on equal terms.

We have the most friendly relations with the South American States; why is it that our trade with them is so small? Is it not because we put such a tax upon their commodities that we cannot receive them in exchange for ours? Great Britain trades largely with them; she has, in fact, a monopoly of the South American trade, because she admits to her ports, free from duty, the products which she receives in exchange for her manufactures. We tax almost every important article which they produce, and we are, therefore, precluded from participating with Great Britain in a trade by which she has been greatly enriched. Trade being essentially barter, its existence depends upon free exchanges. The cases in which international trade is carried on without such exchanges are exceptional. We tax almost everything that comes to us from Europe, and yet Europe buys largely of us cotton, petroleum, bread-stuffs, and provisions; but this happens because the existing demand for them cannot be elsewhere supplied. And here let me say that we are counting too much upon a European demand for our agricultural products. Our exports of grain and provisions for the last three years have been enormous, but such exports cannot be depended upon. Our harvests have been abundant, so abundant that had there not been a large foreign demand for our agricultural products, Western farmers would have been in despair. In this respect Europe has been far less favored, and consequently there has been an unusual demand for what we had to spare. A full crop in Europe and a short one in the United States would be likely to turn the tables against us and put an

end to gold redemptions by the Government and the banks. We must bear in mind that the European nations that maintain a convertible paper currency have three times as much coin as circulating notes. We have three times as much paper money as coin. Our condition would be critical if the current of exchange should be unfavorable.

The United States would also buy coffee of Brazil and tea of China and Japan and pay for them in money if there were high duties upon them, because they have become, by general use, articles of necessity. These, however, as I have stated, are exceptional cases ; they do not invalidate the general rule that trade is barter and may be destroyed by restrictions upon it.

Let us go back to South America. Our trade with Brazil is increasing, but the balance against the United States in our trade with this great empire is some thirty millions of dollars annually ; last year it was upwards of thirty-four millions. We tax all her most important productions, except coffee. Great Britain does not, and consequently she controls, to a very large extent, the Brazilian trade. And how is it with the South American republics ? Their institutions were modeled upon ours ; they desire not only that there should be good political relations between them and the United States, but commercial relations also. Some of them are very important States ; they buy and sell a good deal, but their dealings with the United States, when compared with their dealings with Great Britain, are insignificant. We know very little about the South American republics ; we do not regard them as worthy of attention ; we speak of them as being in a chronic state of revolution, quite unworthy of our regard. In this respect we do them great injustice. We do not properly estimate the disadvantages under which they have labored. They were mostly colonized by Spain, and Spanish domination was not calculated to improve their condition. The original inhabitants, although vastly superior in everything but valor to the North American Indians, were quite unfit to be citizens under republican governments. The Anglo-Saxons exterminated the aborigines, the Spaniards intermingled with them, and yet, unfavorable as were the

circumstances in which they have been placed, these republics have made progress; their Governments are becoming stable; their industry is increasing; we have friendly political relations with them, but very little trade. Their chief trade is with Great Britain, and they are very large consumers of British goods. Look at Peru; why has the United States no trade with this important State? Mr. Christiancy, our recently-appointed minister to Peru, answered the question in a few brief and telling words. To a correspondent of the *New York Tribune*, who asked him if he carried to Peru special instructions, he replied:

No; my instructions so far are general. I shall do what I can to build up our trade with that country, but little can be done without a change in our tariff laws. Peru annually exports now about \$12,000,000 worth of guano, \$8,000,000 of sugar, \$6,000,000 of nitrate of soda, \$3,500,000 of wool, \$3,500,000 of silver, and other articles, making in all about \$40,000,000 in exports. Of this amount the United States receives very little and sends little in return. Our tariff laws shut out the light grades of sugar made in Peru, and also the fine grades of alpaca wool which she produces. A small part of the guano trade comes here, but as trade has to be reciprocal, we cannot expect much of an increase in our commerce with Peru until a change is made in our tariff laws. English vessels do most of the carrying trade of that country, and, of course, divert it to England.

And how is it with Chili, the most prosperous of the South American States? Chili has no manufactures; her chief productions are copper and wool, and she receives in exchange for them very large amounts of goods of the very kind which the United States can produce cheaper than they can be produced in England—such as cottons, hardware, boots and shoes, and agricultural implements. Her trade might be very profitable to us, but we do not, to any considerable extent, participate in it. Great Britain sells annually to Chili upwards of 50,000,000 pounds of cotton goods; the United States sells to her less than 5,000,000 pounds, and yet some of our cotton mills, until recently, have been idle, or partially so, for the want of markets. We have put a prohibitory duty upon the chief products of Chili, and we cannot, therefore, trade with her.

So it is with the Argentine Republic. According to a

statement of Mr. David A. Wells—who has rendered invaluable services to the country by his exposition of the condition of our foreign trade—the importations of this republic in 1874 were as follows :

From England, \$21,465,000 ; from France, \$19,836,000 ; from Belgium, \$16,777,000, and from the United States, \$3,945,000. In that year she bought of Great Britain more than 40,000,000 pounds of cotton goods ; of the United States, 155,000 pounds. Great Britain found a market there for \$1,000,000 worth of boots and shoes, against \$10,000 worth from this country.

The reason for this enormous difference has been also fact that the chief products of this republic are prevented from coming to the United States by our tariff. The policy of Great Britain in regard to foreign trade is the reverse of ours. She loads her ships with her manufactures, and exchanges them for the guano, the sugar, the nitrate of soda of Peru, the copper and other articles of Chili, the wool of the Argentine Republic, the varied products of Brazil ; thus securing not only a valuable trade, but freights for her ships. It is by her foreign trade, by taking the raw material in exchange for her manufactures and putting upon it her skilled labor, and sending the finished fabric wherever a market can be found for them, that she maintains her manufacturing and maritime ascendancy.

Now let us look very briefly at our existing tariff. It was a war measure. In 1860 the average duty on dutiable goods was nineteen per cent. It is now forty-nine and seventy-five hundredths. By those who framed the present tariff, largely increased revenue was regarded as being absolutely necessary for the support of the Government and protective duties, were considered necessary to render the United States independent of foreign nations. Both have been accomplished, but at no small cost. The tariff has protected large interests, but at the expense of large interests. It has produced large revenues, but the revenues would have been much larger had it not been prohibitory as well as protective. It is only necessary to glance at the duties on a few articles to perceive that the leading features are protective even to the extent of exclusion. The Secretary is troubled by the liberal appropriations of Congress ; he sees not

only deficiencies, but an increase of the public debt in prospect ; he needs more revenue, but yet fails to recommend a modification of the tariff which would produce it. I have no time and this is not the place to go into minute details, but I cannot avoid naming a few articles the duty on which prevents revenue and sustains monopoly.

Salt is used by every family in the United States ; enormous amounts are used in curing meats and fish ; it is produced largely in the United States, and the production could be increased almost without limit. The duty is $39\frac{3}{4}$ per cent. when imported in bags and 69 per cent. in bulk. Although the people of the United States are subject to a heavy tax upon the salt which they use, the Government derives very little revenue from it.

Quinine is an article of indispensable utility in a large part of the United States. It is one of the very few specifics known to the medical profession. It is extensively used in the army and in the hospitals ; a large part of the Mississippi Valley would be uninhabitable without it. Quinine is subject to a duty of twenty per cent., by which duty hundreds of thousands of families are compelled to contribute, not to the revenues, but to the gains of the manufacturers. It is estimated that 1,200,000 ounces of this invaluable article are annually consumed in the United States, the profits on which are not less than fifty cents an ounce in addition to what would be a fair manufacturers' profit. A few ounces, when prices are excessive, do come to the United States, but the duty upon it is substantially prohibitory. In 1878 the Government received in duties on imported quinine \$10,171.60. The manufacturers realized a profit of not less, probably, than \$600,000. Two powerful firms have control of the manufacture, and are made immensely rich at the expense of the revenue and consumers. It can be made by all chemists, but there is no competition in its manufacture ; foreigners are prevented from competing by the tariff ; home competition is prevented by the monopolists, who have the power and do not hesitate to use it to crush any who dare to interfere with the trade.

Blankets are subject to specific and ad valorem duties. Those that are valued at over forty cents a pound are subject to a specific duty of twenty cents a pound and thirty-five per cent. ad valorem; those valued at over eighty cents a pound are subject to forty cents specific duty and thirty-five per cent. ad valorem. Such blankets as are used by millions of laboring people in the United States cost in England about \$1.75 cents a pair; the duty on a pair of such blankets is \$1.595. Very few blankets are imported; the revenue from these the last year was \$2,884, and yet it is estimated that 20,000,000 pounds of blankets were sold and used last year in the United States, the profit of which to the manufactures, as the effect of tariff, was not less than \$5,000,000.

There is a large demand for steel rails, a demand which is steadily increasing, as, taking into consideration the time they will last on railroads whose traffic is heavy, they are cheaper than iron. The price of steel rails in the United States is now about \$44 per ton; it has been lower, but it is advancing with the increasing demand. They can be made in England and delivered in New York at \$32 per ton; the duty on them is \$25 per ton, and consequently none are imported. Steel rails can be made as cheaply in the United States as in England, and the home manufacturers have the advantage over the foreign maker in the cost of freight, and yet railroad companies pay \$12 a ton more for steel rails than they would pay if there were no tariff. Forty-four dollars a ton seems like a very low price for steel rails, but under the improved processes they are made more cheaply than iron rails were made before the war. The manufacture of steel rails is a very important business in the United States, and should receive the support which a tariff for revenue would give it, and this could not fail to be largely protective. The tariff says that not a ton of steel rails shall be imported into the United States, that the home manufacturers shall have the field free from competition, that not a dollar revenue shall be derived from a very extensive and profitable branch of manufacture. What do the managers of railroads say to this? We ought to hear from them upon the sub-

ject. We do dot. Why? The answer should come from them.

Copper; the duty on copper is five cents a pound. The price in England is about fourteen cents. The duty is prohibitory; none is imported. It is to some extent exported. Last year 11,299,876 pounds went from the United States to Germany and France. In 1876 the revenue collected on imported copper was \$264.05; in 1877 it was \$11.50; in 1878 it was five cents. And yet the duty of five cents a pound still remains. The production of copper in the United States is about 50,000,000 pounds annually, four-fifths of which are consumed in the United States and one-fifth exported. The tariff compels the United States purchasers to pay three or four cents a pound for copper more than they would if it were duty free. A score or two of rich men have the control of the market and keep prices to just the point which will prevent importations. Why should they have it? Why should there be a prohibitory duty upon copper? The consumers are injured by it and the Government is defrauded by it. The gainers are the proprietors of a couple of mines on Lake Superior, who pocket their gains, keep the knowledge of the amount to themselves, and are quite content with the situation. And well they may be, for their profits are a million of dollars larger than they would be if copper were duty free, and half a million larger than they would be if the duty were imposed for revenue only.

I mention these articles—salt, quinine, blankets, steel rails, and copper—not because they are exceptional cases in which monopolists are enriched at the expense of consumers and the Government, but because I lack time to enumerate others, and because they are sufficient to illustrate the character of the tariff. An examination of it would satisfy any unprejudiced man that it is not in the interest of public revenue or of foreign trade; it is unquestionably prejudicial to both. It is maintained in the interests of capitalists. If it could be taken up by Congress and the duties on each article could be independently considered, it would be made, as it ought to be, simply a revenue tariff. It has not been so considered. The protective interests stand by

each other, the support of one being necessary for the support of another ; their strength is in their unity. There is, in fact, a chain of interests, every link of which is important to the maintenance of the protective and prohibitory system. Members of Congress who represent men engaged in the manufacture of blankets think, I have no doubt, that it is a shame that there should be a prohibitory duty on salt or quinine, but they sustain the duties on them nevertheless. The representatives of other protected interests may be of the opinion that the prohibition of the importation of copper is a very large contribution to the wealth of a few persons at the expense of the revenue and of the users, and to the prejudice of foreign trade ; but the duty on copper is a link in the chain that binds great interests together, and it therefore cannot be discontinued ; and so the tariff remains as it is, depriving the Government of needed revenues and building up monopolies at the expense of consumers, in violation of the spirit of our institutions.

Political questions have of late been the engrossing questions ; not a single member of the present Congress was elected with special reference to his views upon Federal taxation. There are but few journals in the country in which the subject is discussed. It is not now a question upon which parties divide. Party leaders on both sides ignore it, because they are uncertain whether they would be the gainers or losers by taking a decided stand in regard to it. It cannot, however, be kept long in the background, it must come to the front. As long as high prices were maintained, as long as the people were exulting in apparent prosperity, as long as credit was cheap and borrowing was easy, taxation, direct as well as indirect, was not felt to be burdensome. A great change has taken place within the last five years ; prices have greatly declined ; with the exception of our manufactures of cotton goods, our manufacturing industry is in a depressed condition. Farmers are also complaining as well as manufacturers, notwithstanding the large demand for our agricultural products, which has turned the exchanges in our favor. Nearly all of our agricultural products are lower than they were before the war, when we had no national debt and municipal

debts were not burdensome. Tax-payers feel especially the burden of direct taxation, and in devising means to reduce it their attention cannot long fail to be directed to the burdens to which they are subjected by the tariff, and when it is so directed the popular demand for tariff reform will be irresistible.

If those who are being enriched by protective duties are wise, they will take the lead in bringing about this much-needed reform. If they do not, they may, at no distant day, be deprived of the advantages which a tariff for revenue would give them. The people are apt to go from one extreme to another, and the danger to be avoided is such an uprooting as will, in sweeping away every vestige of protection, deprive the Government of the income it needs from revenue duties upon foreign goods.

SEVENTH LECTURE.

CAPITAL AND LABOR.

One of the most troublesome questions which demand the attention of statesmen and political economists is the question of the proper relations between capital and labor, employers and employees; a question which has always been troublesome, notwithstanding the fact that these relations are close and inseparable. The rewards of labor are dependent on capital; capital would be unproductive without labor. If it is said that labor builds cities, and factories, and ships, constructs railroads, develops mines, cultivates lands, it may be said with equal truth that the labor thus employed is supported by capital, that without capital there would have been neither cities nor factories, nor ships nor railroads; that mines would have been but superficially worked, lands would have been but imperfectly cultivated. While labor is the source of national wealth, it is capital which gives it direction and employment. Labor creates capital, capital supports labor. Laborers are very frequently becoming capitalists. Thus it has always been and always will be. But while capital and labor, the employer

and the employee, are thus dependent upon each other, while they are so inseparably connected, while they are necessarily co-workers, they very rarely work together harmoniously. There seems to be a deep rooted, an abiding hostility of labor against capital. Christianity has not softened it, the general spread of intelligence has stimulated instead of lessening it. The severest struggles between labor and capital are in Christian lands and where civilization has made the greatest advances. Christianity in its principles, whatever hierarchies have made it, is essentially democratic, and so is education. It is not surprising, therefore, that where these influences prevail the more earnest will labor be in the assertion of what it conceives to be its rights. The dissatisfaction of laborers with their condition, the restlessness which is so manifest among them in the most enlightened countries of Europe, as well as in the United States, is an indication of the spread of intelligence. I do not, therefore, consider the fact that the contest is the sharpest in countries most advanced in Christian civilization and in education at all discouraging; on the contrary, I regard it as a hopeful and healthy indication. I do not think that perfectly just relations can ever be established between capital and labor, that there can ever be a fair division of profits between them, but I do think that the dissatisfaction of laborers and the serious consequences of labor strikes must lead to a more thorough examination of the labor question, and bring about a better understanding between employers and employees than has hitherto existed. Not only so, but I believe this examination will show that many of the obstacles in the way of better relations between them and of advancement of their common interests are artificial, and that they do and must prosper and suffer together. The present depression in Great Britain does not affect the laborers alone. They are undoubtedly the greatest sufferers, because very few of them have accumulated anything in more prosperous times, and when thrown out of employment they have no means of support; but the capitalists also suffer. While the laborers are complaining of a reduction of wages, many capitalists are consider-

ing whether even with such reduction it would not be better to close their works than to go on.

That there has been for some years and still is very great business depression among all the leading nations, a depression which bears heavily upon capitalists and laborers, is well known. A revival is taking place in the United States, but it has not become decided or general. Six years ago all the nations were apparently in a prosperous condition. Trade was active, wages were high, ships were well freighted, and there were good markets for the abounding productions of the world. What has produced the change? Why has so great depression followed a period of unusual activity and material progress? The causes of this depression must lie back of it. They must have been at work silently before there was any manifestation of their existence. Some of them are very readily discovered. Unreasonable as it may seem, steam and electricity, the invention of labor-saving machinery, the very instrumentalities of material progress, are among the causes of the existing depression. They have created a revolution in trade, in commercial intercourse, in business of all descriptions; a revolution which, whatever may be its ultimate result, could not fail to be temporarily prejudicial to many important interests and to diminish the demand for labor and the wages of the laborer. Political revolutions, no matter how necessary they may be, no matter how beneficial they may ultimately prove to be, are a great disturbance while in progress. The same is true in regard to revolutions in trade. That the world is to be benefitted by labor-saving machinery, by reduced cost of production, by freer and speedier connection between buyers and sellers, between producers and consumers, cannot be doubted; and yet it is obvious that while such really beneficial processes are at work, and before the power of adaptation comes into full exercise, there must be derangement of business and diminution of employment, producing inevitably suffering among laborers, disappointment and misfortune among business men. The forces which have disturbed the old order of things have been at work for some years. The effect is now seen in a decline of prices, in lower

wages, reduced demand for labor ; all of which are indicative of overproduction. It is contended, I know, that there can be no such thing as overproduction ; that nothing will be produced to be wasted, and that consumption and production must go hand in hand. This is undoubtedly true in theory, and in course of time it will become true in fact. Continuous overproduction is impossible ; temporary overproduction is not only possible, but there are good evidences of its existence not only in other countries, but in the United States. If there had not been, the great decline in prices which has been ruinous to so many would not have occurred. Not only has there been overproduction, but the capacity to produce is now greatly in advance of the present and of any early prospective demand. The cotton and iron and woolen mills of European nations and of the United States, if operated to their full capacity for six months, would supply the demand for their productions for a year. Many mills are idle, more are only partially employed, not because prices are low, but because the demand is insufficient. Production has taken the lead of consumption. Hence the depreciation in many branches of industry and the inability of willing hands to find employment. This depression is aggravated by local causes, but it is felt everywhere. I do not know where to look for a country in which it does not exist. All are affected to a greater or less extent by the same influences. Nowhere is capital receiving remunerative returns ; nowhere is labor receiving proper compensation. I do not mean, of course, when I say this, that there are no branches of industry which are not profitable, no cases of individual prosperity, no locations in which labor is not in demand and wages are high. What I mean is that there is no country whose general trade and industries are in a vigorous and healthy state and where laborers find full and fairly remunerative employment. The revolution to which I have referred is still going on ; the process is painful, but the results will be healthful. Let us note some instances of this revolution and the immediate effects thereof :

Whatever diminishes distances between nations, whatever helps to bring them into closer communication,

must be eventually beneficial to their people ; and yet, for a time, many important interests may be injuriously affected by it. The Suez Canal, which brings Western Europe some five thousand miles nearer to the Orient than it was before this great work was completed, must be of great advantage to both the Eastern and Western nations, and yet the reduction in the number of ships required in the traffic between them, caused by this great diminution of distance, has been a severe blow to ship-owners and to ship-builders, and especially to working men in ship-building districts.

The electric telegraph is one of the time-saving and interest-saving instruments of the day, and yet a great many people have been injured, not a few ruined, by it. It has introduced radical changes in many branches of trade ; it has rendered unnecessary the service of thousands of middle men.

C Machinery, which has so largely taken the place of hands, must, by lessening prices, be of incalculable benefit to mankind, but there can be no question that the effect upon the laboring classes has been exceedingly disheartening and injurious. Laboring men look upon labor-saving machines as their enemy, and, for the present, rightfully.

L Iron steamships are, in these hurrying days, greatly superior to wooden sailing vessels. The commerce of the world is quickened and increased by the change which steam and iron have made in ships, and yet the substitution of iron for wood in ship building and of steam for sails, as propelling power, has deprived thousands of mechanics and sea-faring men of needed employment, made solitudes of ship yards, and done much to deprive the United States of the rank which she held thirty years ago as a maritime nation.

The business of the world is being revolutionized by such agents as I have named, and while these revolutions are going on capital and labor both suffer, but labor to the greatest extent. Capital is easily transferred from one branch of business to another, and it can afford for a time to be idle. Labor, on the other hand, cannot be readily diversified, and stands in absolute need of constant employment. We must, I think, admit that the

condition of laborers has not been improved by the material progress of the nations which is so marked a characteristic of the present age. This progress has been chiefly the result of machinery, and it will be noticed that the discontent and suffering of the laboring classes are most manifest in those countries in which machinery has become to the greatest extent a substitute for hands.

The general disturbance produced by the revolutionary forces at work is aggravated in some countries and lessened in others by local causes. It is aggravated in Great Britain by the disproportionate number of men who are dependent on mechanical employment and by her system of land tenure. In previous lectures I have spoken of her manufacturing industries and the causes of their decline. The great body of the real estate of Great Britain is held by a few thousand people. A score or two own the larger part of the acreage of Scotland; a few hundred the larger part of England. The masses have no interest in the soil, not even as tenants. The lands are generally entailed, the large estates are being increased, and the old systems of tenantry, having become unprofitable to the proprietors, has been discontinued. Lands in Great Britain are now being chiefly cultivated by a class of men called farmers, who were quite unknown half a century ago, and who, having the skill and capital necessary to make the business profitable, become the leasees of the proprietors for a term of years on a cash rent. The proprietors, of course, make the best bargains they can with the farmers; the farmer does the same with the laborers; the result of which is that in the country of the greatest wealth and the highest cultivation the agricultural laborers, farm hands as they are called, are in a most unfortunate condition. It would be difficult to find in any part of Europe a peasantry as poorly fed, clothed, and sheltered as the workingmen in most of the countries of England. There is nothing in the condition of the agricultural interests of Great Britain to alleviate the trouble she is experiencing in the depression of her manufacturing industries. Indeed, there is as much complaint in her agricultural districts as in her manufacturing. At the

prices at which farming lands are held farming cannot be profitable. American grain growers and stock producers are able to undersell the British farmers in their own markets, and there is now an earnest demand on their part for lower rents or for a tariff on provisions and bread-stuffs, a demand which land owners and the Government will find it difficult, if not impossible, to resist.

Across the channel, on the other hand, there are local causes which alleviate the depression resulting from the revolution to which I have referred. The industries of France are more diversified than those of Great Britain and less dependent upon machinery; but a more important cause is found in the fact that the farm laborers of France are the owners of the land they cultivate, and this is one of the open secrets of her prosperity. Prior to the great French Revolution, most of the lands of France were held by the nobility, a nobility as oppressive as it was debased. This limited ownership of land and the oppression which grew out of it was one of the causes of a revolution, which, violent and bloody as it was, was only commensurate with the evils of the system which provoked it. By this revolution the foundation of land tenure in France was broken up, first by the confiscation and distribution of large estates, and then by a radical change in the law regulating descents and inheritances. Land owners in France may dispose of their property in their lifetime as they may see fit, but upon their death their lands must go to their heirs in equal proportions. As a consequence of this, the lands of France are held in small quantities by a larger number of independent land-holders than can be found in any other country in the world. It is this division of land, the interest in the State thus created, that makes a republican government in France possible. Universal suffrage can only be permanently trusted where property is widely distributed, where a majority of voters have interests to be protected, and there is nothing so highly prized by the great body of the people nor so conservative in its influence as the ownership of land. The education and experience of the French have not been such as are calculated to fit them for self-govern-

ment, but the prospects of the republic are encouraging, and that they are so is attributable, in a large degree, to the fact that it has a basis of widely-distributed land ownership to rest upon. It is true that a minority of the French people are land owners, but they are a strong minority, the leaning of whose influence is felt throughout the body politic. Besides there are few Frenchmen who are not the owners of property of some kind. France and Switzerland are the only European countries whose Governments could stand the test of really free elections with unlimited suffrage; the only countries in Europe in which republican institutions could be established with any prospects of immediate success. Votes are a conservative power when cast by men who have interests to look after and to protect; in other hands they are dangerous. The Government of Great Britain is a stable Government, but it is stable under the existing system of land monopoly because, although a free Government, it is not a popular Government. The English people are distinguished for their loyalty, loyalty not only to England, but to the throne, no matter what may be the character of the occupant. There is something almost ridiculous in their loyalty which extends not only to the imperial and irresponsible head of the Government, but to the nobility. There is a feeling or sentiment pervading the lower and middle classes that the lords and earls and dukes are of better blood than the common people, that it improves from the knights who stand at the bottom of the aristocratic ladder all the way up to the empress in whose veins it courses in the purest current. The loyalty and the patriotism of the British people are proverbial, but the most liberal government that could now be formed would not dare to recommend universal suffrage.

I am reminded here that universal suffrage prevails in nearly every State in the Union, and that in those States in which there is a restriction upon it the restriction is so limited that it is practically universal. I am reminded, also, that the taxes on property in the city of Boston are paid by one-fifth of the population; that four-fifths of the voters pay only a capitem or poll tax, and that this tax is more frequently paid by candidates for

office to secure their votes than by themselves, and that, notwithstanding all this, property is as well protected in the United States as in any other country, and that the city of Boston is one of the best governed cities in the world. It must be admitted that universal suffrage has generally worked well in the United States, but it is by no means certain that it will continue to do so ; the time of trial will come, when those who have no pecuniary interests at stake shall be a controlling majority in the rural districts, as they are now in the large cities, and when, as may be the case, bad men are the leaders of political parties. I should feel that our republican institutions rested upon a firmer basis than they now rest upon, if our agricultural lands were divided into small holdings. As such a division is likely to be impracticable, the safety of property and of our republican form of government can only be permanently secured by such a property qualification for voting as will prevent those who have no interest in the State from controlling its affairs. If a necessity should arise for a strong government it will be owing to unlimited suffrage.

Let us now look at some of the causes which have been and are at work in the United States, and which, in disturbing business, have been and are prejudicial to labor. The most fruitful of these was our late civil war. The costliness of a war, in which a million of men were engaged for a good part of four years—a war which well nigh ruined some of the most productive States of the Union, during which the energies of the people and the wealth of the nation were devoted to the procurement of supplies for the army and navy—can hardly be overestimated. The unremunerative outlays in the prosecution of this great war were sufficient to produce financial embarrassment, which could not have been entirely prevented if the most prudent councils had prevailed after the war was over. A great war like ours could not have been terminated, the expenditures of the Government amounting to more than two millions of dollars per day, could not have been suddenly suspended, without a shock to many branches of industry; but I never doubted that, if the right policy had been pursued at the close of the war, the country would have escaped much of the

disaster which subsequently overwhelmed it. This is a point, however, which I have no disposition to discuss. There can be no doubt that very much of the depression of business, which has affected capital and labor so seriously from the autumn of 1873 to the commencement of 1879, from which the country is slowly recovering, may be traced to the war, to injudicious and speculative investments, to reckless borrowing, and extravagant expenditures. But other disturbing influences have been and still are at work in the United States which do not exist to any considerable extent in other countries. Let us glance at them.

Business of all kinds in the United States is running every year into comparatively fewer hands and narrower channels. It is not distributed as it formerly was; there are many cities and towns whose business and population are growing rapidly where business houses are decreasing in number. In the city of New York a dozen firms are doing the business which a few years ago would have been distributed among a hundred; the same is comparatively true in other cities. The concentrating process is everywhere going on at the expense of the many and the advantage of the few. Day laborers have been severely tried for some years past, many are still suffering for want of employment, but they have not been nor are they now the severest sufferers. These are found among those who have been unsuccessful in their enterprises, who have been thrown out of employment by the misfortunes of others, or who have been crowded out of business by competition.

Then, again, we have in the United States corporations which wield powers quite unknown in any other country, and which, in their efforts to make dividends on fictitious capital, reduce the wages of their employees as far as practicable, and, except at competing points, burden productions by severe and discriminating rates for transportation. The granger organization, which created so much alarm and which was so severely condemned by the Eastern press, was a resistance of what farmers considered the imposition of railroads. The granger laws claimed for the State no greater or different power than that which is reserved and exercised

by European Governments. The British Parliament holds the power of regulating the traffic charges of the roads in the United Kingdom, and exercises it whenever the public interests require it. The grangers should be permitted to explain their own creed, which is that railroads should be authorized to charge such rates for transportation as would give to their stockholders liberal returns on money invested, but that farmers and consumers should not be taxed to enable them to declare dividends on stock which is merely a fiction. No such tremendous power was ever concentrated in a few hands as is concentrated in the hands of the men who control the great railroad lines of the United States. Four gentlemen control the transportation business between the seaboard and the West; they put up or put down rates at pleasure. By concentration they can make dealing in the productions of the country profitable or unprofitable. They wield a power which absolute monarchs would hesitate to exercise. Three of these gentlemen are under the control of directors, who represent a large number of stockholders, but, as they possess the confidence of both directors and stockholders, they naturally control the affairs of these great corporations and, to a large degree, the business of the populous and wealthy regions through which the roads are constructed. They are able and upright men, but their aim is to make money, and they would be more than human, they would hardly be faithful to their trusts, if in doing so they were not more careful of the interest of their stockholders than of the public interests. One of these gentlemen is quite independent of both directors and stockholders. Owning a majority of the stock of one of the finest and best constructed railroads in the world, which runs through the richest and most populous State in the Union, with subsidiary lines which penetrate the fertile regions of the West, he holds in his hands a power superior to that of any other private citizen of the world. By combining with the managers of other trunk lines, he shares in the control of the traffic between the great cities of the West and seaboard. For hundreds of miles, having no competitor, he is able to establish such rates of transportation

as will enable him to declare dividends on stock altogether disproportionate to the cost of the road.

We have another and still more startling illustration of legalized monopoly in the Union and Central Pacific railroads. There is an unpleasant atmosphere about the construction of these roads which I am not disposed to disturb. It is sufficient to say that there was no permanent investment of money by the stockholders of either. They were not only built by the subsidies of the Government and the loans made upon the donated property, but there was an excess of millions which went into the pockets of contractors who were also stockholders and directors. Four men own, subject to the liens upon it, and absolutely control the western division of this great thoroughfare, a thousand miles of railroad, for which they have paid nothing and out of which they have realized millions. Not only are they the owners of the Central Pacific Road, but, by the profits which they have made and are making out of it, and the sale of a small amount of bonds, they are building a Southern Pacific Road, now completed to Arizona, and other lines, by which they are controlling the larger part of traffic of the Pacific Coast. Owning all the approaches, except on the north, to the magnificent bay of San Francisco, they have no fear of competition. Secured in their chartered rights, there can be no interference with their liberal privileges. Unrestrained in their traffic charges, except by their own discretion and regard for their own interest, they control the transportation of the productions and, in no small measure, the labor of a country vast enough and rich enough for an empire. They are highly respectable and honorable gentlemen, but they are clothed with a power which no government should delegate to its citizens. The adoption of the new constitution of California, framed in antagonism to capital, is mainly attributable to the opposition of farmers and of the traders in the interior towns to the management of her railroads. There were other influences at work, but it will be noticed in looking over the returns that the heaviest vote in favor of the constitution was in the agricultural districts. It required a great combination of influences, among which opposition to Chinese im-

migration was not the least potent, to sustain such a constitution, and it is very certain that it would not have been approved by the people had it not been for the opposition of the farming interest to railroad monopoly. This constitution, if ever made effective by legislation, must be injurious to the laboring classes, who vainly expect that their condition will be improved by it ; it will also make manifest the necessity of proper governmental control of the railroad companies of the State. Legalized monopolies in the United States are inconsistent with the interests of the people and the spirit of our institutions. Corporations are useful in all countries ; they are indispensable in the United States, whose growth has been largely dependent upon them, but the privileges which they possess, and which may be needful for the accomplishment of the objects for which they are organized, are subject to abuses. They should never be independent of the government by which their charters are granted.

There is another influence, and not the least powerful, in disturbing industry and business in the United States—politics. By politics I do not mean the science of government, nor the contest between parties over any question of governmental policy, but party contests for political supremacy and for the power and emoluments of office. Politics, in this sense of the word, is a great absorbent in the United States ; it is dangerous, because it is corrupting. Financial questions, revenue questions, the labor question, are considered, not with regard to their bearings upon the public interests, but with regard only to the use that may be made of them in elections. There are hopeful indications that these great questions will not long be kept in the background or made subservient to party interests, but this is their unfortunate condition now. A stranger reading the great newspapers of the United States, great by the energy and ability which they display, great by the influence which they wield, a stranger reading these papers would conclude that there were no questions of importance to the country, except purely party questions. Who shall be the next President ? Who shall be Senators or Representatives in Congress ? Who shall be Governors ? In

a word, which party shall have the control of the Federal and State governments? Financial questions and revenue questions have of late engaged public attention, and there have been contests over them in some States, but a fair and free discussion of them has for a long time been prevented by the doubts of political leaders as to the direction which the current might take. As I said in my last lecture, there is not a member of the present Congress who was elected with regard to his views on economic questions. The disturbing power of politics just now prevents also the consideration, upon their merits, of questions involving the rights and interests of the colored people of the South. While there is a strong sympathy felt throughout the North for the colored people of the South, party politics have had a good deal to do in giving it a wrong direction. The social condition of the colored people of the South and their condition as laborers is a matter of deep concern, not only to the South, but to the whole country, and it is exceedingly unfortunate that their condition in these respects should be affected by a sectional contest for the control of their votes. It seems to be hardly possible that any sensible man could have supposed that people who all their lives, and their ancestors for many generations, had been subject to the social, mental, and moral degradations of absolute servitude, could become, by emancipation, independent voters; that the foundation upon which the social and industrial fabric of the South rested could be broken up; that slavery, which was to have been the corner stone of the Confederacy if its independence had been achieved, could be brought to a sudden termination without social and political disorder, without heartburning and strife. So far ought we to be from being surprised that harmonious relations do not exist between those whose former relations were so different, that our surprise should be that both races are adapting themselves to their changed relations as rapidly as they are. That the colored vote would, to a large extent, be influenced, if not controlled, by the superior intelligence and wealth of the whites, and that what would be regarded sectional interference would unify the white voters is what everybody ought to have anticipated. That this

vote should not be a unit upon questions affecting the general welfare of the country ; that there should be no solid South or solid North in opposition to each other upon political issues, and social and economic problems growing out of emancipation, is what the interests of all, and especially those of the colored people, require. That such a condition of things will sooner or later be brought about there can be no question ; the retardation of it will be the result of party efforts, for party purposes, to fan the sleeping embers, not yet quite extinguished, of former antagonisms. The solidarity of the South before the war was upon the slave question ; in defense of slavery it was a unit ; upon other subjects it was divided, as it will be again when these subjects come to the front.

The colored people of the South must be protected in the exercise, to the fullest extent, of their political rights ; for all else they must depend upon themselves. The emigration from Louisiana and Mississippi, which has attracted so much attention, will, I fear, prove to be imprudent, if not disastrous, to a majority of the emigrants. These States suffered severely last year from a pestilence ; that from which there is the largest exodus is the one in which party contests have been the severest ; but it seems to be hardly possible that the condition of the colored people, even in Louisiana, where their sufferings from the pestilence have been aggravated by party strife, could have been so wretched as to compel them to leave their homes and to become, for a time, dependents upon the charity of the people of other States. If they left because they could not obtain employment where they were and expected to improve their condition by emigrating to Kansas, nobody has a right to complain except those, perhaps, who are compelled to contribute to their relief ; but if they were forced to leave by reason of oppression, not only should humanity, but the assistance of the Government, be invoked in their behalf. Kansas is not the promised land for the colored people. Their home is the South. They should remain where their services are most needed and are the most likely to be properly remunerative ; in a climate the best suited to their constitutions and their enjoyment of life. The labor of the colored people has

made the South what it is ; they are not likely to be the gainers by leaving it. The interests of the two races in the States from which the exodus has been taking place are dependent upon each other. This natural dependence, if left to itself, will do more than all outside pressure can affect to secure to the colored people of the South their personal and political rights. Labor is a power in this country of ours, and nowhere is its power greater than in the Southern States. Some compensation for the evils which must result from this exodus may be found in the lesson it will teach the planters of their dependence upon the labor they no longer own, but I think Mr. Douglass is right in the view which he takes of this exodus from the South. The colored people are an eminently social people ; they are happier when together than they can be when scattered among the whites. They need companionship, which they can only find among themselves. A few of them have gone to California and are employed there as servants in hotels and in private families. A couple of years ago I had a free talk with some of them whom I had known seven or eight years before. They were well cared for and well paid, but they were restless and unhappy. The climate of California was agreeable to them, but they wanted to go back to Washington, where they could have a society of their own.

The labor of the colored people is indispensable to Southern planters, and there is a power in their votes over Southern politicians which they will soon know how to wield. The time is not far distant when, divided as the South will be upon questions which are not sectional, their votes will be as much courted by candidates for office as the votes of Irishmen and Germans are by candidates in the North. But whatever views may be taken of the causes which have produced emigration of the colored people from their old homes, all must agree that it disturbs industry, and that it must, for a time at least, affect injuriously the labor of the South and the interests of Southern capital. If I had advice to give the Southern colored people, it would be the same that Sumner gave to Stanton in a single word, *stick*. I would say to them, stick and fight it out on

your own line, if it takes not only next summer, but a dozen summers.

I have thus directed attention to certain general causes which have brought about, or at least have contributed to bring about, the depression which prevails in other countries and to some extent in our own—a depression which affects both labor and capital—and alluded to certain influences adverse to general prosperity, and to labor, which are peculiar to the United States. The question now arises, What, if anything, can be done in our own country to remove the obstructions which lie in the way of returning prosperity? It is perfectly clear that the interests of capital and labor, employers and employees, are inextricably united. There have been and there always will be conflicts between them, but there is such a union of interests that they must always suffer or prosper together. Both are exacting; both are apt to be arbitrary in their exactions. Capitalists reduce wages without consulting laborers, laborers strike for higher wages without consulting capitalists. Each is entitled to a proportion of the joint productions, but there can be no umpire to decide what that proportion shall be. The laborer must live; the capitalist must make his business profitable or abandon it. Who shall decide how well the laborer should live and how much he should be able to accumulate for protection against his being a charge upon the State, when incapacitated for work, or the profits which the capitalist should be entitled to on his present business, or what his accumulations should be, in order that provision should be made for the contingencies to which all business is subject? These are points which no one can decide. They could not be decided if the contestants were upright and impartial and the decision were left to themselves. Something has been accomplished by arbitration, but it is not often that both agree to arbitrate and upon an arbitrator, and when arbitration is resorted to the decision is rarely satisfactory to both; perhaps, in the majority of cases, it is not satisfactory to either. Fortunately, the power of neither is absolute. Neither can, for any considerable time, be oppressive to the other. When labor is abundant the capitalists may unjustly reduce wages; when it

is scarce they may be forced to pay more than they can afford to pay. Such advantages on one side or the other are not of frequent occurrence, and when they do occur they are not of long continuance; the law of supply and demand is always at work and it is, perhaps, the only effective regulator of all such competing interests. It is very certain that the agencies which have been resorted to, to wrest from capital what labor demanded as its rights, have not been beneficial to the laborer. The trades unions were organized for wise and humane purposes, but they have signally failed to accomplish the objects of their formation; in undertaking to regulate wages they have undertaken the impossible; in encouraging and for a time sustaining strikes they have injured employers and laborers alike; under intelligent and honest direction they have been of little service to the working men; under the direction of bad men they have been potent agencies of mischief.

It is hardly necessary that I should speak of communism and socialism, of the influence and power of which some apprehension has been felt. Communism, as taught by its early advocates, is beautiful in theory, but it is impracticable. It implies the existence of qualities in mankind which do not exist. Independence, superiority, power, are what men naturally strive for. There is nothing in human nature upon which communism can rest; it is harmless, because it is both peaceful and unnatural.

Socialism is of a different character and not easy of definition; it embraces the disaffected of all classes. Its object seems to be to destroy, not to build; not to encourage industry, but to deprive it of its accumulations. It is a foe to the existing order of things, which it denounces as being in the interest of capital and against labor. It would equalize by a disruption of the principles which hold society together. It manifested its spirit in the wanton destruction of property at Pittsburg two years ago. It ceases to be potent as soon as it is unmasked; it can never be formidable under the free institutions of the United States.

It follows from what I have said that capital and labor, joined together by common interests, must be left to ad-

just their own controversies by themselves; that both are prejudiced by what is prejudicial to either, and that their aim should be to remove all obstructions in the way of their common prosperity. In this and in previous lectures I have referred to the causes of the industrial depression throughout the world and to local causes in the United States. In doing so, I have suggested the remedies which have seemed to me to be within our reach. As whatever tends to retard progress, to check enterprise, to lessen the rewards of well-directed industry, is hostile both to capital and labor, my object has been in each lecture to direct attention to the impediments in the way of general prosperity. I have referred to some adverse influences which, although prejudicial to many important interests, will become eventually beneficial. I have directed attention especially to the causes which produced the depression in the United States and to the obstructions to prosperity which still exist, and for the existence and continuance of which the Government is responsible. It is not the duty of a republican government either to regulate business or to find employment for labor, but it is its duty to relieve industry from all unnecessary burdens and to modify or repeal all laws that block the way to more prosperous times. I have already intimated in general terms what I thought should be done by the Government. I must ask indulgence while I briefly and in conclusion recapitulate the measures which I regard as being especially important:

Firstly. A day should be fixed, sufficiently remote to allow the banks to supply themselves with coin, after which the United States notes should cease to be a legal tender, and provision made for their being withdrawn from circulation as speedily as the condition of the Treasury, under an economical administration of the Government and a judicious revenue system, would permit. My objection to these notes as money was presented at length in my second lecture. I would now only say, in addition to what I have said, that I do not think there is any good reason to apprehend that the passage of such an act would depreciate the notes and inflict loss upon the holders. As they would still be receivable for all

Government dues, except duties upon imports, there would be a sufficient demand for them to prevent depreciation; besides, it would be the duty of Congress to prevent their depreciation by making them convertible into four per cent. bonds, if their receivability for Government dues should be insufficient. The additional interest which the Government would have to pay by their conversion into interest-bearing bonds is not worth considering, in comparison with the benefits which the country would derive from the withdrawal of a false and unstable measure of value and the disconnection of the Government from the business of banking. It is quite clear, however, that the popular objection to the retirement of these notes is not that the bonded debt would be thereby increased, but that the volume of circulation would be reduced. It is contraction which is especially dreaded, and dreaded without cause. There is not the slightest danger of insufficient currency in the United States; the tendency has always been and probably always will be towards an over supply. There has never been a deficiency of paper currency in this country. There has never been contraction which was not the necessary consequence, the natural and inevitable result of expansion. As long as the national banking system exists, and under any banking system that may follow it, there will be no failure in the supply of bank notes. Not only is there no reason to fear that there would be injurious contraction by the retirement of United States notes, but it is by no means certain that there would be if all the paper money of the country were to be gradually withdrawn. Paper money is a convenient and beneficial supplement to coin; it is not a necessity in any rich and prosperous country; it constitutes only a fifth part of the circulating medium of France, whose financial system is, on the whole, the most perfect of any in Europe. While bank notes are a great convenience and a positive service in all commercial countries, I do not doubt that within a period of ten years gold and silver might take the place of paper in the United States, without disturbance of business or reduction of prices. There can hardly be a greater error than the supposition that the interests of the country are dependent upon a paper

currency, or that industry would be revived and the welfare of the laboring man promoted by an increase of its volume. The paper circulation is now more than three times greater than it was in 1860, and yet that was a very prosperous year compared with 1878. The immense volume of currency in circulation had no power to prevent the crisis of 1873 or the general decline of prices which followed it. If a bountiful supply of paper currency would make a country prosperous, the United States would be prosperous indeed. What the country now needs, as far as the financial question is concerned, is confidence in the policy of Congress; confidence that this policy will be the policy which was interrupted by the war, the time-honored policy which recognized nothing but gold and silver as money, and tolerated no currency which was not convertible.

Secondly. All small notes should be withdrawn from circulation and the coinage of silver continued as long as it can maintain a parity with gold. All efforts to increase the circulation of silver without a withdrawal of small notes will be in vain. To what extent silver can be coined without a depreciation of it can be better determined hereafter than now. It would not be subject to depreciation, no matter what might be the policy of other nations, as long as it merely took the place of paper and was actually needed in the domestic trade. If the coinage should be continued under existing law and the paper circulation should not be correspondingly reduced it would at no distant day, as it did under the act of 1792, drive gold out of circulation and out of the country. But while I regard it as being a matter of very great importance that such a limitation should be put upon the coinage of silver as would prevent it from banishing gold, the Government should, through its ministers, express to the leading European States its willingness and desire to unite with them in making gold and silver a joint standard of value, with unlimited coinage of both.

Thirdly. The national banking system should be sustained, not in the interest of the banks, but of the people, as being the best system yet devised for the security of a bank-note circulation.

Fourthly. That the tariff should be thoroughly revised, and that all restrictions upon foreign commerce not absolutely necessary for revenue purposes be removed, to the end that consumers may not be taxed for the benefit of monopolies, and that our foreign trade may be increased.

Fifthly. That while corporations should be protected in their corporate rights, they should be subject to the supervision and control of the Government and the States by whose authority they were created, so that the public interests may not be subordinated to their interests.

Sixthly. The financial and economical questions, the great questions which underlie the prosperity of the country, should be considered with regard to their bearing upon the interests of the country, and not upon the interests of a party. It is not expected that politics will ever be so elevated as to become really the science of government, but it would be an immense gain if such questions should be considered and treated as questions, in which the members of all parties are alike interested. That this is not impossible is proven by the fact that although in Great Britain the contests for the control of the government between liberals and conservatives are as violent and bitter as in the United States, one hears very little about financial or commercial questions, although these are the questions of paramount importance. There are differences of opinion among the voters in regard to them, but they are not mixed up with party contests; they are considered by the party in power when a change is supposed to be necessary, and the decision which is reached is rarely disturbed by a change of administration. Industry and enterprise in the United States are greatly embarrassed by the uncertainty which prevails in regard to the action of the Government upon subjects in which all are interested. Business men feel as sailors would feel if, although upon a good ship, but far from land, they had neither chart nor compass to direct them.

I regret that I have not been able to discuss with more ability than I have done the questions to which I have directed your attention. Something, however, has been gained, if I have excited an interest in them which may

have been heretofore dormant. They are all very important questions, the live questions of the day, in which all are interested, whether conscious of it or not; questions in regard to which no uncertain sound should go forth from our educational institutions. At the head of these institutions and under the direction of one who combines what are so rarely found united, extensive learning and great executive ability, soon to become a university in the most comprehensive meaning of the word, stands Harvard. Her position is a very important and responsible one, and she will be recreant to her history, to all her inspiring traditions, if her influence is not felt from year to year, with constantly increasing power, throughout the length and breadth of the land, in giving proper direction to the public sentiment upon all questions affecting the honor of the Government and the welfare of the people.

LETTER

ADDRESSED TO

THE BANKERS' ASSOCIATION, AT SARATOGA
SPRINGS, AUGUST, 1884.

LETTER

ADDRESSED TO

THE BANKERS' ASSOCIATION, AT SARATOGA
SPRINGS, AUGUST, 1884.

Mr. President and Gentlemen of the Convention:

Questions of great public interest cannot be too freely discussed, although those who participate in the discussion may say nothing new. It is this consideration that induces me to send you this communication.

The excellence of the national banking system has been proved by a trial of more than twenty years. It has done all that its warmest advocates expected. It has given to the country, what it never had before, and greatly needed, a bank-note circulation perfectly secured and current throughout the Union. It has done more, it has shown that there can be a great national banking system without the centralized power of a national bank, and free from partisan politics. It has not, it is true, in all cases, protected depositors from losses. This has never been done and never can be, under any system of banking; but it is safe to say that the losses of depositors by the failure of national banks—enormously as deposits have been increased within the last twenty years—have been much less than they were under the system (if it might be called a system) that preceded it. That it has not been more effective in this direction is attributable to the fact, that while in the management of the Bureau party politics have been ignored, the Comptroller has, in some instances, been forced to yield his better judgment in the appointment of examiners, to the pressure of politicians, who have had friends to be

served or supporters to be rewarded. To be a competent examiner of banks, especially of the large banks in our commercial cities, a man should have qualifications which very few men possesses. He should have a thorough knowledge of practical banking. He should be a man of strong will and perfect integrity. He should be a hard worker, and so keen and thorough in his investigations as to render imposition difficult, if not impossible. He should be able, as some men are, to tell by the bearing of the officers of a bank, and even its very atmosphere, whether it is faithfully or unfaithfully managed, before he examines it. Having had, in years long passed, a good deal of experience in the examination of banks, I know how difficult of performance the duties of a bank examiner are, and what his qualifications should be. To select examiners of the right kind, no one is so competent as the Comptroller ought to be, and no one has so deep an interest, as far as reputation is concerned, as himself, in the manner in which their duties are performed. It is by him that examiners are appointed. They are his agents and he is to some extent responsible for their incompetency or neglect. He should, therefore, be perfectly independent of all outside influences in making appointments. This, I apprehended, has not always been the case, and to this is attributable, to a large extent, the fact that the examinations of the national banks have not been, in all instances, as intelligent and searching as they ought to have been. Still, as I have said, the national banking system has done all and more than its advocates expected. By superseding the State banks, upon which, without it the Government would have been compelled to rely in the late civil war for a bank-note currency, it did much to save the Government from bankruptcy, and it has for nearly a quarter of a century furnished the country with bank notes on which no loss has been or ever can be sustained. I did not, however, commence writing this letter for the purpose of eulogizing the national banking system, but of speaking very briefly of the dangers which threaten its perpetuity. Its great value, nay, its very existence depends upon the security of the notes issued by the banks which are organized under it. This security consists of

Government bonds, which are deposited with the Treasurer in Washington. Nothing else will answer the purpose. Bank notes should always be redeemable in coin, but they would never be issued if they were to be protected by an equal amount of coin in the vaults of the banks. They must, to a large extent, be based upon credit, and there can be no credit reliable enough for the basis of a national paper currency, except the national credit. Nothing, therefore, but the bonds of the Government can perfectly secure a national bank circulation. Of these bonds the national banks are being rapidly deprived, and will be soon deprived altogether, unless the public revenues are largely reduced. The public sentiment seems to demand an *extinguishment* of the public debt as soon as the condition of the Treasury will permit it; but so highly is the national banking system approved by the business men of the country, so essential has its maintenance become to our national prosperity, so entwined is it with both public and private interests, that the sentiment in favor of the extinguishment of the debt would doubtless be satisfied with a *reduction of it to such an amount as would be needful to secure a bank-note circulation*, were it not for the recent decision of the Supreme Court on the legal-tender question, which throws a dark cloud over the financial outlook. It is not for me to criticise that decision. The justices of that court are among my personal friends. I have the highest respect for their characters and legal acquirements. This much, however, I cannot forbear to say: It is a decision which fails to command the approval of the best legal minds of the country. It clothes Congress with IMPERIAL power—the power which the framers of the Constitution manifestly intended to withhold. It announces a new doctrine, that Congress, instead of being limited to the exercise of enumerated powers, may do anything and everything which the Constitution does not absolutely prohibit. Indeed, if by its authority to *coin* and *borrow* money Congress can authorize the issue of Government notes as *money*, it is difficult to see what power does not constitutionally belong to it. Discussion of this question, however, is now of no avail. It is now the law that Congress, in the exer-

cise of its own discretion, may authorize the issue of legal-tender notes at all times and to any amount. Such is the decision of the Court, from whose decision there is no appeal, and it is not to be disguised that it puts the national banking system in imminent jeopardy. Nothing can save it if the redemption of the Government bonds goes on, and this can only be prevented by a reduction of the Government income to the amount required to cover its ordinary expenses, of which reduction there are no present indications. Now, as the country must be supplied with a paper currency of some kind, the question arises, of what shall this currency consist? Certainly not of the notes of State banks, because if such notes could be perfectly secured their credit would be local; they would not be current throughout the Union. But they could not be perfectly secured. A large part of the States have no bonds outstanding to base circulating notes upon. Many that have are in bad credit. None have maintained absolutely good faith with their creditors, except Massachusetts and California. Besides, State credit has been impaired by the late decisions of the Supreme Court in the Virginia and Louisiana cases, which place STATE SOVEREIGNTY upon a higher plane than even Mr. Calhoun ever contemplated, and enable the States to violate with impunity any and all contracts which they have entered into with their creditors, no matter how carefully prepared or how fair and just may have been their provisions. It is, therefore, quite certain that if and when the notes of the national banks are withdrawn from circulation their place will be filled, not with the notes of State banks, but with United States legal-tender notes. I say legal tender, because this quality will be necessary to give them currency, and because the power of Congress to authorize the issue of such notes is now established. The existing legal-tender notes are popular with the people—so popular that if the notes of the banks should be retired there would be an irresistible demand for further, if not unlimited, issues. The average voters will not be likely to understand, until the experiment has been tried and proved to be disastrous, why their representatives in Congress should not be able to deter-

mine how much currency the business of the country requires. If they should fail in this respect, they would be promptly enlightened by their constituents, to whose demands there would be but small resistance. What these demands are likely to be can be easily foreseen. At a dinner which was given to Bayard Taylor, just before his departure as Minister to Berlin, when severe business depressions which followed the financial crisis of 1873 prevailed throughout the country, I sat beside one of the most respectable and intelligent leaders of the Greenback party, and I was amazed when he asserted that "this depression was caused by *contraction* of the currency, and that nothing could restore former prosperity, except an emission of at least *two thousand millions of dollars in United States notes*," which were then greatly depreciated. It is not difficult to correctly predict what will be the financial condition of the country when the notes of the national banks are withdrawn from circulation, and the existing restriction upon the issue of United States notes is removed. There will be just what I predicted in October, 1865, another "period of hollow and seductive prosperity, to be followed by widespread disaster." Other nations have resorted to the issue of government notes when bankrupted by war or extravagance. History informs us of the result. Whether the result will be different when the notes are issued by a Government of abounding resources and with a full treasury, will be ascertained when our national banking system shall be numbered among the things that have been.

There is another question of present and more pressing interest that will, doubtless, receive the attention of the convention at the present session.

THE SILVER QUESTION.

Until 1879, when it became my duty to give the subject a more careful examination than I had done, I was a mono-metalist, since then I have been a bi-metalist, and I have by observation and reflection become stronger and stronger in my new faith. Mr. Hamilton was right when he said in his masterly report in 1792:

Upon the whole, it seems to me most desirable not to attach the unit to either metal, because this cannot be done without effectually destroying the character of one of them as money, and so reduce it to the character of mere merchandise. To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from the comparison of the benefits of a full with the evils of a scanty circulation.

The world is not, and probably never will be, in a condition to dispense with the use of either gold or silver as a standard of value and a circulating medium. Both are indispensable, and neither can be reduced in comparative value by artificial means below the other without prejudice to local and international trade, nor without increasing the burden of debts by decreasing the amount of metallic money (which is the only real money of the world) in circulation. As every dollar of gold and silver in existence has cost in labor and machinery more than its standard value, neither can be depreciated except by artificial means. Silver coin is now depreciated in comparison with gold, not by natural causes, but by the action of European nations. A few years ago gold, by the large productions of the United States and Australia, was depreciated in comparative value with silver. This being the result of natural causes, the difference in the value of the two metals was of short duration. Natural law speedily adjusted the difference which natural causes had produced. The existing depreciation of silver is not the result of the large production of the silver mines, but of the action of Germany in demonetizing it and the restriction of its coinage by the Latin nations. Had not these causes been at work the depreciation of silver, which is now disturbing the financial condition of the world, would not have occurred. The Congress of the United States acted wisely in monetizing silver. The only mistake it then made was in not adopting the French standard.

But, while Congress acted wisely in making silver a standard with gold, it has acted most unwisely in continuing the coinage of it in the face of the action of European nations. By doing so it is making the United States the "pack horse" of silver, which the action of these nations has depreciated. *As soon as it was dis-*

covered that Europe would not join the United States in their effort to restore silver to its former comparative value with gold the coinage of silver should have been stopped. By continuing to act independently we are playing into the hands of rival powers, we are throwing upon our own country the burden of maintaining to a large extent even the present market value of silver. The longer we continue the free coinage of silver the longer will it be before bimetallism is adopted by other commercial nations. Although the United States are the largest silver-producing country in the world, and, therefore, have a deep interest in its value, it would be wiser for us to demonetize it than to continue to coin it. I am not sure, contradictory as it may seem, that the most effective way of appreciating silver would not be for the United States to demonetize it. We are, or at least we have the means of being, a creditor nation. We have less silver than the commercial nations on the other side of the Atlantic, and are better able than they to stand the loss which would be incurred by its further depreciation. In the increased scramble for gold which would follow such action on our part we should not be the chief sufferer.

There is another consideration in regard to continuing the silver coinage of pressing interest, if not of vital importance. By continuing to coin it we are not increasing to any considerable extent the amount of metallic money in circulation. We are filling the Treasury with dollars for which there is no demand. Instead of increasing the circulating medium, we are doing what must eventually produce *severe contraction*. Unless our policy is changed the Government will, ere long, be compelled to pay a part, if not the whole, of the interest on its bonds and of the principal at maturity, in silver dollars. When this point is reached gold will no longer be a circulating medium in the United States. It will be virtually demonetized, and become an article of merchandise. It will be locked up by the banks, hoarded by the people, or sent abroad. This will be *contraction* of the severest and worst possible nature, the effects of which upon the national credit and upon all our manifold enterprises will be to the last degree damaging.

What, then, can be done by the members of the Convention to prevent the evils which threaten the country? Seeing clearly, as they do, the dangers ahead, they can at least do this : they can sound the alarm. I recollect that upon our Western rivers, when a steamboat was about to run upon a dangerous shoal, the cry went out from the pilot to the engineer : "*Give her a lick back !*" So, now, from bankers and all men who are not blind or reckless, the cry to the managers of our financial ship should ring out sharp and clear : "GIVE HER A LICK BACK ! GIVE HER A LICK BACK !"

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Permit me, Mr. Editor, in reply to questions that frequently come to me, to say in your columns a few words about the two great parties, which ever since the formation of the Government have been contending for supremacy, and something more (trite as it may be regarded) upon the subject which more than anything else now divides them.

Ralph Waldo Emerson remarked some years ago that "the Whigs had the best men, the Democrats the best principles." Since then changes have taken place in both parties upon financial and economic questions. Then the Democrats were in favor of gold and silver (hard money) and specie-paying bank notes as a currency, while some of the most ultra were opposed to paper money of all kinds. They also were the advocates of a tariff for revenue only. Now a large majority of its members are in favor of direct issues by the Government of greenbacks, as they are called, whether convertible or not, and some of its leading men (a few only, to their credit be it said,) are the advocates of a protective tariff.

Then the Whigs favored a bank note currency, the value of which depended upon its relations to specie, and which was not to be tolerated when it ceased to be convertible. Now their descendants, the Republicans, unite with Democrats in favoring Government notes, and have become converts to the doctrine which Mr. Webster pronounced a "dangerous if not fatal delusion," that the Government, in the exercise of its legitimate discretion, cannot only issue its notes for a circulating medium, but can make them lawful money and a legal

tender—a doctrine which, to the utter amazement of most of the best legal minds of the country, has been sustained by the Supreme Court.

Then the Whigs supported a tariff for revenue, with incidental protection. Now the Republicans are the supporters of a tariff of which protection is the object and revenue the incident. There were, of course, other subjects of public interest before the country upon which the parties were more or less divided, but currency and taxation were by far the most interesting, except the question of State rights, which was put to rest upon the battle-field. During the civil war the Republican party received large accessions from the Democrats. Since the war the Democratic party has been able to number in its ranks a good many recent Republicans. The two parties are now, as they have been for most of the time since the Government was established, nearly equal in numerical strength, and neither in its full membership is quite sound according to its old standards.

The Democratic party, however it may have changed in principles, has clung tenaciously to its time-honored name. Its great opponent has not been so fortunate. At the start it was the Federal party, then (some of its unpopular Federal doctrines having been discarded) it became the Whig party, and then the Republican party, under which name it won its highest renown by the hearty and united support which it gave to the Government in its desperate struggle for the maintenance of its existence. For a brief intermediate period it was known as the National Republican party.

Most of the questions other than those that have been named, upon which the parties have heretofore been divided, have either become obsolete or have been consigned to the background. The question upon which the party lines are now most strictly drawn, and upon which the parties have never been in accord, is the tariff. Both are in favor of a tariff, but there are very important differences between them in regard to its character. *There are men in both parties who favor free trade, but there is no free-trade party in the United States, nor will there be for years to come, if ever.* The journals (and strangely enough some of them claim to be Demo-

cratic) in which tariff reform is spoken of and denounced as free trade are under the influence of the protected interests.

Both parties believe that the Government must, as has always been the case, be mainly supported by duties upon imports, but beyond this they are at variance. The Republican party, according to its generally approved platform, believes that duties should be imposed not only for revenue, but also, and mainly, to protect home manufacturers from foreign competition. The Democratic party according to its platform, from which there are few dissenters, believes that duties should be imposed for revenue, not for protection; that Congress, under the Constitution, has no authority to impose duties to protect manufacturers in the United States against the manufacturers of other nations; but while it believes that duties should be imposed for revenue and not for protection, it believes also that duties should be imposed mainly upon luxuries and upon such goods as are manufactured in the United States, so that home manufacturers may have the incidental advantage resulting therefrom in their competition with foreigners. On this point it now stands where the Whig party stood when Henry Clay was its leader.

The question, therefore, immediately and prominently before the country is: Shall duties be imposed mainly for protection or mainly for revenue—for protection as the object and revenue the incident, or for revenue as the object and protection the incident?

There is another question which ought to receive and which, if our republication institutions are to be permanent, must soon receive the earnest attention of the people, to wit: Shall the offscouring of European nations continue to be invited to come and help govern the great republic? This question is the question of surpassing interest; but, as it is not a question of dollars, it will not receive the attention which it deserves and demands until the tariff, the old apple of discord, is disposed of.

There is another question which I hope will not come to the front—the authority and duty of Congress to regulate Federal elections in the Southern States. I hope

that this question will not be presented for the action of Congress at the next session or any other. If it should be, it would revive sectional animosities, increase race prejudices, and become a party question of far-reaching consequences. Some of the advocates of intervention by the Government in Southern elections might be influenced by patriotic motives, but by the larger number and more active advocates it would be regarded as the means of bringing out and consolidating the colored voters, and giving to them the control in all Federal elections; indifferent if not more than indifferent to the fact that it would be quite impossible to give to them the control in Presidential and Congressional elections without giving to them the control in State elections also.

If the colored voters should be united, and they should vote as freely as the whites, three of the Southern States would be controlled by them. The white people of the country, and the whole country without respect to party, are not ready to see any of the States under the domination of a race which, for want of intelligence and discipline, if for nothing else, is totally unfitted for the exercise of governing power. They have not forgotten what occurred in South Carolina when, in the process of reconstruction, it was dominated by negroes. The franchise is a very difficult question for even States to deal with, and it is likely to be as troublesome in some of the Northern States as in the Southern. What is called the foreign vote is even now as threatening to the welfare of St. Louis, Cincinnati, and Chicago as the negro vote may become to the welfare of Louisiana, Mississippi, and South Carolina. The Canadian French, whose votes are for sale to the highest bidder, are a dangerous element in New Hampshire, and foreigners of all descriptions are a dangerous element not only in the cities I have named, but in all large manufacturing districts.

It is perhaps fortunate that laws which could be passed by Congress for the regulation or supervision of elections must be general, and applicable to all States alike. Men at the North, who might favor Congressional intervention at the South, would be little disposed to favor it

in their own States. Congress cannot practically deal with the franchise question without being subjected to unhealthy influences. It is a question which should be left to the States. Its phases are different in the different States, and each State should be at liberty, as heretofore, to manage it without Congressional interference, which would aggravate the danger to which our republican institutions are exposed by what has become practically unlimited suffrage. If the question is left where it belongs it will not be many years before the colored men in all the Southern States will vote as freely as they do now in Virginia, and both of the great parties will be soliciting their divided votes.

What has been said in regard to the incompetency of the colored people for the government of States is equally true in regard to foreigners. Among the former are many intelligent and competent voters, and the same is true of the latter, but an overwhelming majority of both is not only unfit for the proper exercise of governing power, but for the intelligent and independent use of the ballot. The influences which prevent a full vote at the South are certainly no more unjustifiable than is vote buying at the North. Each State will have enough to do in the proper management of its own elections, without attempting through its representatives in Congress to regulate the elections in other States. One thing is certain, in no State will life and property be in danger, because there are not voters enough. *It is unlimited suffrage, the exercise of the highest of all political privileges, by those who have no interests at stake, that threatens the well-being, if not the life, of the republic.*

PROTECTION NO LONGER NEEDED.

But to return to the tariff, upon which party lines are drawn with more distinctness than ever before. Upon this question my opinion is what it has always been since my attention was first directed to it. Admitting what I am not disposed to deny, that protective duties were once needed to induce capitalists to put their money into manufactories, it is very clear to my mind that, as this object has been long since accomplished, the continuance

of such duties is not only unjust to the great body of consumers, but prejudicial to the best interests of the country. The present tariff is substantially the same that was adopted soon after the commencement of the civil war. The Government was then engaged in a life or death struggle for the maintenance of its unity, and large revenues were required, not only for current use, but to strengthen the national credit for borrowing purposes, and so large was the demand of the Government for goods of various descriptions that there were very large importations, notwithstanding the high duties to which they were subjected.

When the war was ended and the Government ceased to be a large buyer, the tariff, which was a war measure, should have been carefully revised, in order that it might be accommodated to the changed condition of the country. This was not and has not been done. Some changes have been made. Some articles have been put upon the free list, and upon others the duties have been reduced, but it is substantially the same tariff that was created in 1862—a tariff designed for revenue, but highly protective, and of some articles prohibitory. In examining the bill, the leading features of which have been carefully preserved, one cannot fail to perceive that in its adoption Congress must have been greatly misled. Let us look at some of the articles on which duties were imposed, and to which I referred in one of my Cambridge lectures:

Salt—Is used by every family in the United States, and immense quantities are used in curing meats and fish. It is produced largely in many States, and the production could be increased to an almost unlimited extent. The duty on salt was, and I think still is, 39 $\frac{3}{4}$ per cent. when imported in bags, and 69 per cent. when imported in bulk. Very little, of course, is imported, and everyone in this broad country who uses salt is taxed, not for the benefit of the public revenue, but for the enrichment of a few manufacturers or owners of salt mines.

Blankets—Valued at over 40 cents a pound up to 80 cents were subject to a specific duty of 20 cents a pound and 35 per cent. ad valorem. Such blankets as are used by millions of people in the United States cost

in England about \$1.75 a pair, the duties on which are nearly \$1.50. Can such a duty be rightfully continued?

Steel Rails.—The duty on steel rails, which was \$25 per ton, has been reduced, but no revenue is derived from them, as they can be made as cheaply in the United States as in Europe.

Scores of articles might be mentioned to show how preposterous the tariff was and is, in some respects, with regard to revenue, and how unjust to the great body of taxpayers, but I will only mention one more.

Copper.—The duty on copper was, and I suppose still is (I have no copy of the Tariff at hand), five cents a pound, which is prohibitory. None is imported, but considerable quantities are exported. Here is an article which is taxed so heavily that none can be imported, and the excess of production over the very large home demand is sent to foreign markets. The duty on copper has enriched the owners of copper mines, but it has yielded no revenue to the Government. Its continuance is without a shadow of justification, as it adds largely to the cost of an article in general use, and nobody is benefitted by it, except the favored few in whose interest it was imposed.

THE DEFENSE OF THE TARIFF.

Everyone must admit that in respect to such articles as have been named the tariff should be amended, but its supporters contend that in its general scope it is right, and it is defended on such grounds as the following:

First. That it has stimulated production, induced the construction of iron mills and cotton and woolen factories, put in motion machinery of all descriptions, and has thus added largely to the national wealth.

Second. That it has advanced wages and greatly improved the condition of the laboring classes.

Third. That by stimulating production it has created home competition, as the result of which the goods which are most generally and extensively in use have been cheapened, to the manifest advantage of the users.

Are these claims in behalf of our protective tariff well founded? Let us see :

First. It is admitted that the tariff has stimulated production, the evidence of which is seen in the mills and factories and machine shops which have been constructed all over the country within the last twenty years. But what are the offsets? By stimulating production it has increased manufacturing power beyond the needs of the country. There are few mills or factories in any branch of manufacturing that are worked to their full capacity. On the contrary, it is estimated that if all of them should be actively employed for six months they would be able to supply all demands for a year. *It is now well understood that the manufacturing power of the country has been so increased by the tariff stimulus that combinations—trusts, as they are called—have been resorted to from necessity to limit its exercise, so that the supply may not exceed the demand.* This expedient cannot be long continued, and nothing can prevent serious trouble with manufacturers and their employes but wider markets for their productions, and one fails to see how these can be obtained without radical changes in our protective and restrictive policy.

That the wealth of the country has been very largely increased by our manufactures is obvious. It would be impossible for immense quantities of raw materials to be converted by labor and machinery into finished goods without large accessions to the national wealth. Manufacturing has made some people wealthy, and their wealth is a part of the national wealth; but it has not been widely diffused; it has been confined to the favored few.

The country has been enriched by its manufactures, but its much greater gains have been the result of the conversion of wild lands into productive farms. It is by agriculture mainly that the nation has been enriched, and the wealth thus gained has not been at the expense of other interests. On the contrary, it has been widely diffused; all other interests have been very largely dependent upon it; and yet this great interest has received no favors from Congress, nor has it had in that body any especial representatives. I ought in saying that agricul-

ture had received no favors from Congress to except wool growing. The duty on wool is continued to satisfy the demands of the wool producers of the West, and if the protective policy is wise these demands are reasonable. This duty, however, stands right in the way of the woolen manufacturers of the East, who cannot make certain classes of goods that are in demand without foreign wool. Here we have, on the one hand, a demand for a tax upon wool on the ground that sheep raising cannot be carried on successfully without it. On the other hand, we have the woolen manufacturers complaining of the duty on the ground that their business is imperiled by it. This antagonism is one of the many illustrations of the impolicy of the protective tariff.

Second. It is contended that the tariff has advanced wages and been a boon to the laboring classes. From the tone of our protection journals one would suppose that it is the welfare of the laborers in which protectionists are chiefly interested. Wages are higher in the United States than in Europe, but they are lower now than they have been, and unless immigration is checked they will soon go down to about the average European standard. Were it not that the consequences of continued immigration are likely to be serious, it would be a matter of ridicule that manufacturers who advocate protection for the reason that labor is higher in this country than it is in Europe hail with pleasure, if they do not directly aid, immigration, as the means of reducing the cost of it. Wages, as has been said, are higher in the United States than they are in Europe, but so are clothing and many other articles which families of laborers need. I doubt very much that the laborers in United States factories are better off at the end of the year than laborers in British factories. *As long as there is free trade in labor, as long as our ports are open to all comers, there will be, all things considered, little difference in the price of labor between this country and other countries.*

Third. It is contended that the tariff, by stimulating production, has created home competition, by which goods in common use have been greatly cheapened, to the manifest benefit of the users. It is true that such goods are much lower in price than they form-

erly were, but not by reason of home competition. They are lower because, by the great improvements in machinery, they can be made cheaper. The tariff is entitled to no credit on this score; on the contrary, by preventing foreign manufacturers from competing with our home manufacturers, it gives to the latter the control of the home markets. It not only prevents free exchanges between the United States and foreign nations; it enables home manufacturers, by combinations, to prevent free trade at home.

OBJECTIONS TO A PROTECTIVE TARIFF.

In every view which I can take of it our protective tariff is open to insurmountable objections, some of which I will refer to:

First. It is class legislation, for which there is no warrant in the Constitution. To protect manufacturers in the United States against foreign competition is not among the powers conferred upon Congress. If what is done indirectly should be attempted directly, what would be the result? If, for instance, a bill should be introduced in the House to protect the manufacturers of any useful article in the United States against foreign competition, how many members would vote for it? If such a bill should become a law, what chance would it stand of being sustained by the Supreme Court, liberal as that court is in its views of Congressional power? Now, if Congress cannot directly prohibit the importation of foreign goods, in order to enable United States manufacturers to control the home markets for such goods, what justification is there for the accomplishment of the same object by legislation nominally for revenue?

Second. It is no longer needed for the purpose for which the protective policy was originally designed. It is certainly not needed to induce capitalists to invest their money in manufacturing, for, as has been said, too much money has already gone in this direction. Nor is it needed to protect home interests against foreign importation, for all of the articles most generally in use can be made as cheaply in the United States as in Great

Britain—the country which takes the lead in nearly all branches of the most useful manufacturing. Let us look a little more closely at some of the articles which I have named.

Iron and coal in Great Britain are widely separated and are obtained thousands of feet below the surface. In a number of the States the same articles of equally good quality and of inexhaustible supply are found side by side and close to the surface, almost cropping out of it. Does anyone believe that iron and steel cannot be made as cheaply in Pittsburg and Cleveland and Northern Alabama as in Great Britain? For certain uses foreign iron ore is needed by both countries. Great Britain lets it come to her free from duty. Our Government either prohibits its importation or subjects it to so high duties that it cannot be profitably imported.

Some of the iron mills in Massachusetts are now severely suffering by the high duties on the foreign iron and ores which are needed in especial work. There is to-day the same antagonism of interests between the iron mill owners of Massachusetts and the iron mill owners of Pennsylvania that there is between the woolen mill owners of New England and the sheep raisers of Ohio. The woolen manufacturers need a reduction of duty on certain classes of wool—the wool producers are opposed to such a reduction. The iron mill owners of New England are urgent, not only for a reduction of duties upon certain kinds of iron, but upon coal also; Pennsylvania is decidedly against both. How can these antagonisms be healed?

Cotton produced in the United States is bought by British manufacturers and made up by them into fabrics of various kinds for sale in all markets from which they are not excluded. Cotton cloths are made chiefly by machinery, in the invention and use of which Americans are unsurpassed—unequalled, it might be said—by any other people. Can the British manufacturer pay the freight both ways and be a dangerous competitor in cotton goods of our own manufacturers in our own markets?

Wool is largely produced in the United States. The foreign wool that is needed can be obtained in South

America and Spain, the countries from which Great Britain obtains her chief supplies. In its manufacture, as is the case with cotton, machinery comes into full play; very little is done by hand. The only ground on which the manufacturers of woollen goods in the United States can rightfully claim Governmental protection is that the foreign wool—the raw material which is needed for certain classes of goods—is subject to high duties. With free wool or low duties they should not fear competition from any quarter.

There are many other articles in regard to which the same remarks would be true; indeed, it may be truthfully said that there are no goods in the manufacture of which machinery is largely used which cannot be now made at as little cost in the United States as in any other country, and it will be borne in mind that in our home markets our own manufacturers will always have the advantage over foreign competitors which a tariff for revenue will secure to them. As an illustration of what I have said about the ability of our manufacturers to compete with foreigners, I will refer to a single article :

The duty on quinine was 20 per cent., and as the material of which it was made was exempt from duty, it could be made as cheaply in the United States as anywhere else. The duty, therefore, although not very high, was virtually prohibitory, and a single strong and admirably-managed firm in Philadelphia had for many years the monopoly of an immense traffic in an article of almost universal use. When the duty was taken off, in compliance with an irresistible popular demand, it was predicted that the manufacturers in the United States would be compelled to give way to foreigners. The prediction has not been verified. The same great firm, Messrs. Powers & Weightman, are still carrying on the business, and are making and selling nearly all the quinine that is used in the United States. The material of which it is made is more plentiful, and consequently much cheaper, than it formerly was, but the exemption from duty has had a good deal to do with the reduction of the price of quinine from \$5 an ounce to eighty cents.

SHUTTING THE WORLD'S MARKETS.

Third. Our protective tariff is not only class legislation, and no longer needed for legitimate purposes, it is gradually shutting up the markets of the world against our agricultural productions. The great interest that underlies all other interests has not only (with a single exception, wool,) received no favors from the Government, but it has been directly and greatly prejudiced by exclusive legislation in favor of manufacturers. The protective policy has had what might be called "full swing" for a quarter of a century, and yet while the country has been growing with wonderful rapidity in wealth and population, there are few farm productions that are selling for enough to cover their cost. For farming lands in the Eastern States there are no purchasers. In the Middle States they are not worth more than they readily commanded twenty years ago, and in the West, in such grand States as Iowa, Kansas, and Nebraska, farm mortgages are increasing with fearful rapidity. Were it not for the cotton and wheat and flour and corn and provisions which Europe (chiefly Great Britain) takes of us, our farming interests would be practically paralyzed.

Farmers have been so drilled in the idea that it is the home market upon which they should rely that they seem to have been unconscious of the fact that the home market is altogether insufficient for the supply, which is increasing more rapidly than the home market demands, and that either increase of demand or diminution of supply has become a necessity. Western farmers are complaining of the low prices of what they have to sell, and many of them attribute the depression to a scarcity of currency. If they would cease looking to protectionists for information and would examine the trade relations between their own country and other countries they would discover that it is markets, not currency, that is needed for the improvement of their conditions. The tariff has contributed immensely to the gains of manufacturers, while for some time past the farmers who have been as well off at the close of the year as they were at the commencement have been the exceptions.

Nothing is clearer than the fact that the tariff is hostile

to our great farming interest, and for the simple reason that it diminishes the demand, or stands in the way of an increase of demand, for our agricultural staples.

The trade of the Central and South American States is with Europe—chiefly with Great Britain—not with the United States, and only because we have put a protective, if not prohibitory, tax upon many of their important productions. They are our neighbors and friends, and they would be glad to have good trade relations, as well as close political relations, with us. This they cannot have until our tariff is carefully revised and modified. We shall doubtless hear from their representatives, at the convention which is soon to be held in Washington, what they think about our tariff.

It is not too much to say that we have no proper and mutually profitable trade relations with these countries. We take from them free from duty such articles as we do not produce and are in need of; they take from us what they can buy cheaper of us than they can buy of other nations. We take from them free from duty coffee, india rubber, Peruvian bark, and dye stuffs. We take, also, free from duty, hides, because the home supply is not equal to our wants, but we put a protective, or rather prohibitory, duty upon wool, copper, sugar, and other articles which we produce as well as they do. They take of us flour, some kinds of lumber, and manufactures, but for three-quarters of what we buy them we pay in drafts on England (sterling exchange). There is nothing like free exchanges between the United States and the other States on this side of the Atlantic. If the tariff had been designed to restrict reciprocity with them it could hardly have been more effective. Great Britain, wiser than the United States, takes from them what they have to sell and pays for it in her own manufactured goods to their mutual advantage. Their markets ought to be open to the productions of our mills and our fields, and they would be if the enlightened policy of Great Britain in her trade relations with other countries should be imitated by our law-making power.

What is true in regard to our trade relations with the countries I have named is true as to other nations. The United States has reached the point where freer trade

with other nations has become absolutely necessary. *The greatest producing country in the world, she has paramount interests in international trade. With wise legislation she could hold the keys of the world's commerce and make the nations her tributaries. Could there be anything more unwise than the legislation which prevents the most productive of nations from sharing in the trade which she ought to control?*

Fourth. The tariff, if it has not been the cause of the decline, I might almost say disappearance, of our foreign merchant marine, stands in the way of its restoration. No nation has ever been and none ever will be great in all that constitutes superior nationality, without combining with its other powers an effective mercantile marine. Sixty years ago the United States was the second maritime power in the world. Now she is excelled by nations that then had scarcely a merchant ship. Washed by both oceans, with the finest harbors in the world, with shipwrights of unequalled skill, an incipient navy of good promise, she has no standing as a maritime nation. She has, it is true, vessels upon her great lakes. She has vessels engaged in the coastwise trade in which foreigners cannot participate, and one or two lines in the West India and South American trade, and one between California and the East; but in the carrying trade on the Atlantic, between the New World and the Old, she has no share.

No American who is proud of his country can suppress feelings of humiliation when he visits the London and Liverpool docks and looks in vain for the stripes and stars. Every inhabitant of the great republic who goes to Europe pays tribute to foreign ship-owners; every pound of freight that crosses the Atlantic adds its mite to their gains. That the carrying trade is profitable is shown by the fact that new ships are every year added to the established lines. Why, then, it may be asked, have not capitalists in the United States engaged in it? Why have they permitted this immense trade to be monopolized by foreigners? The answer is at hand. When what was left of our foreign shipping—after iron and steel were substituted for wood in the construction of ships—was driven from the ocean by Confederate cruisers, the carrying trade went from necessity into foreign

hands. After the war the tariff duties upon the foreign materials which were needed for ships put a check upon ship-building in the United States, and a barbaric law prohibited the registration of foreign-built ships, so that in this great, free country ships could neither be built nor purchased.

Not only has the carrying trade between the United States and Europe been resigned to foreigners, but nothing has been done for the support of our West Indian and South American lines. The amount allowed to United States ships for carrying the mails and bringing home disabled seamen has hardly been sufficient to cover the cost. In the opinion of our law makers, there is no interest that ought to receive the fostering care of the Government but the manufacturing interest, and that has been overdone by protection.

Looking at the subject as disinterestedly as an American citizen can, I see nothing to prevent the conclusion that the present tariff is at war with the best interests of the country. It is continued by being made a party question and the free use of money in elections, but unless it is true that no republican government can long be honestly and wisely administered, which I do not believe, its days are nearly numbered. The subject is now better understood than it has been. Many manufacturers are forced to concede that they need wider markets more than protection. Farmers are learning that the home markets, and the foreign markets that are still open to them, are insufficient to secure living prices for their crops. There is, I am sure, no risk in predicting that if the present Congress does not revise the tariff and free it from the features that stand in the way of international trade, the power in the next Congress will be in the hands of those who will push the reform of it to an extreme. That it is soon to undergo thorough overhauling is quite certain. Shall the work be done by its friends or its opponents, is a question to be decided by the present Congress.

[Just as I had finished this letter I found among my papers the following from Andrew Jackson to John M. Davis, written nearly forty-six years ago. I insert it

here, because it presents the views which I have always entertained upon the tariff question, and which are in accord with the views of tariff reformers of the present day :]

HERMITAGE, *June 24th, 1844.*

DEAR SIR: I take pleasure in acknowledging the receipt of your letter of the 13th inst., although my health does not enable me to answer fully your inquiries.

The slanders to which you allude, of the character of Governor Polk, will be corrected by the good sense of the people, and recoil upon the reckless individuals that have fabricated them. There never was a purer man than Governor Polk. I have known him from his boyhood. In his private life he has been remarkable for the exercise of those charities which distinguish the amicable, unobtrusive, and useful Christian, performing always his duty, and in such a manner as to secure the respect and good will of all his neighbors and acquaintances. The assertion that he has fought a duel, is a gambler, and profane swearer, is a bare-faced falsehood, and would be so pronounced by any gentleman acquainted with Governor Polk, whether he be Democrat or Whig in politics.

Of the views entertained by Governor Polk on the bank and other national questions, reference can be had to his speeches in Congress and such authoritative explanations as will be made public in due time for the information of the people. In relation to the tariff, you will find his opinions satisfactory. He is in favor of a tariff for revenue, and within the limits of revenue making such discrimination in favor of articles of domestic manufacture as will ensure reasonable protection to home industry. He goes for protection as the incident of revenue, and not for revenue as the incident of protection, and within his principle it is now admitted by the candid of all parties that all the protection necessary to the prosperous and rapid development of our home manufactures can be afforded without injury or oppression to any agricultural or commercial interest.

Remember me kindly to my namesake and to all the members of your family, and believe me truly,

Your servant,

ANDREW JACKSON.

JOHN M. DAVIS, ESQ.,
Wilkins Post Office.

LETTER

TO THE

NEW YORK TIMES, JANUARY 31, 1890.

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In the article upon "Free Trade and Protection," by the Right Hon. W. E. Gladstone, in the *North American Review* for January, and answered in the same number by the Hon. J. G. Blaine, Mr. Gladstone treats the question of international trade as if it were not only an economic, but also a scientific question, applicable alike to all countries and to all conditions of the same country; to the United States and to great Britain; to the former when she was dependent upon the latter for manufactured goods, and now, when she is a leader among the nations, in the extent and variety of her manufactures.

Mr. Blaine, on the contrary, disregards the doctrine of scientific political economy in its bearings upon international trade, or rather, he does not consider political economy as one of the exact sciences, whose doctrines are equally applicable to all countries and to all stages of their development.

Mr. Gladstone is a believer in free trade—the free trade which, in connection with her manufactures, has made that little kingdom, not a fortieth part as large as the United States, the greatest maritime and manufacturing nation in the world, upon whose colonial domains the sun never sets.

Mr. Blaine believes that it is to her protective policy that the unparalleled growth and general prosperity of the United States are mainly attributable.

Mr. Gladstone regards international trade as barter, and believes that such trade, essential as it may be to

national greatness, cannot be healthily carried on, unless this is its character.

Mr. Blaine knows, of course, that trade between nations must mainly be carried on by mutual exchanges; that no nation can be long engaged in trade, with adverse balances constantly accruing, to be settled with coin, unless coin is one of its chief products; but he believes that such are the circumstances of the United States that she can only be prosperous by ignoring the policy of free exchanges; that nothing could be more injurious to her people than for her to open her ports to the manufactures of other countries free from import duties, or subject only to such duties as might be needed for revenue; that owing to cheaper labor in Europe manufacturers in the United States could not, even in their home markets, compete with European manufacturers.

Mr. Gladstone goes beyond the economic question and speaks of protection as a moral question, and by this presentation of it he has in certain quarters subjected himself to ridicule. That there is anything immoral in a protective tariff has never entered into the conception of protectionists, but to Mr. Gladstone there could be no other conclusion. He regards monopoly as the necessary outgrowth of protection, and consequently at war with freedom; that protective duties lead to wasteful expenditures of the public moneys; that they are burdensome to consumers, and unequal in their burdens. If these views are sound, is he not right in denouncing a protective tariff as immoral?

Mr. Blaine presents no argument against these views upon the moral bearing of the question, because, perhaps, he does not consider it necessary.

GREAT BRITAIN'S REVENUE SYSTEM.

Now, although it may be presumptuous in me to avow it, I am far from being in full sympathy with either of these distinguished statesmen. While I believe that the people of all nations would be better and happier if all obstructions to international trade were removed, and to this extent agree with Mr. Gladstone, I see no grounds for even the hope that this will be done on this side of the

millennium. Great progress has been made within the present century in the assimilation of nations, but they are still wide apart in their forms of government, the nature of their productions, their land tenures, and consequently in their modes of taxation. So different are they in these respects that a system of revenue which would be well suited to one nation might be quite unsuited to another. Free trade has proved to be wise and wholesome for Great Britain. She is rich and able to support an expensive government by taxes upon land and incomes, but she has been unable to indoctrinate her Canadian and Australian colonies with her free-trade policy, nor has it been long since she pushed protection to prohibition. A great many unwise things can be found in the tariff laws of the United States, but nothing so unwise as were the corn laws of Great Britain. We sustain protective duties on the ground that they encourage home production ; we do not put heavy duties, if any, upon articles that we cannot produce and which are in common use. Taxes upon tea and coffee were bad enough, but we never had anything upon our tax rolls so bad as the British tax upon breadstuffs, which everybody needed and which could not be produced in sufficient quantity at home.

No nations so closely resemble each other in the character of their people and the essential nature of their governments as the United States and Great Britain, and yet they differ decidedly in their revenue systems, and they thus differ, because they differ, not only in age, but in extent of territory and governmental control. Great Britain has passed the period of rapid growth ; her people, although not homogeneous, are so fixed in habits as to be rarely affected by such movements as have frequently disturbed the equilibrium of other nations. Parliament is her only law-making power. Her colonies are to some extent self-governing, but England, Scotland, and Ireland are united under one head and subject to one jurisdiction. Neither has control of its local interests—such control as Ireland is now struggling to obtain. Taxes are high in Great Britain ; her debt is large and her expenditures, imperial and municipal, are heavy, but in no other country are they so little burdensome, so little felt by the people generally.

Having substantially adopted the policy of free trade, she looks chiefly to lands and incomes for her revenue, and as the lands are held by comparatively few and the taxes upon them constitute a part of their rentals, they, like the income taxes, fall upon those who are able to pay them. With wisdom worthy of imitation, she imposes no taxes upon productive industry. That has full play, and, if not aided by the Government, nothing is done to impair or check its freest exercise. For Great Britain her revenue system seems to me an exhibition of statesmanship of the highest order. The members of Parliament receive no pay for their services, but her Cabinet Ministers—the advisers of Her Majesty, who are ex-officio members—receive large salaries, as do her judges and other officers. Hers is not a niggardly Government, but it is not wasteful. The rich taxpayers have much to say about the public expenditures, and they are careful to see to it that they are neither misdirected nor extravagant.

OUR STATE, CITY, AND COUNTY TAXES.

This revenue system, admirable as it is for Great Britain, is not suited to the United States. Our Government, while a government of the people and for the people, and sovereign in the exercise of its constitutional powers, is also a Government of States. Each State is entitled to two Senators in the Federal Congress and at least to one Representative, and to as many more as it is entitled to by its population; so that the little State of Delaware—and each of the States recently admitted into the Union—with its single member in the House, has the same numerical strength in the Senate that the great State of New York has with its thirty-four members. Each State has also a government of its own—a governor, a legislature, a supreme and other courts, and all officers which are needed to perform official duties in independent States. Except so far as the powers of their legislatures are limited by the Federal Constitution, they are sovereigns. Each has the power to determine what shall be the qualification of voters and the manner in which elections shall be

held ; each has the power to contract debts for internal improvements and for other purposes.

Each has, of course, power to tax for the support of its State Government. By each authority is given to its cities and counties to levy and collect taxes for the payment of their current expenses, and so freely is this authority exercised that in some States the State, county, and city taxes amount to nearly two per cent. upon all real and personal property. A large part of the personal property escapes taxation, and the real estate may be undervalued ; but taxes are heavy in all the States, in some burdensome. If to the State and county and city taxes the indirect taxes to which consumers are subject by protective duties upon imports were added, it might be said that there is no civilized nation in the world in which the aggregate of taxation is so high as in the United States. It might be said also that there is no other country so able to bear it.

Now, as States, counties, and cities are supported by direct taxation upon lands and personal property, and these taxes are as heavy as a large part of the tax-payers are able to bear, the Federal Government must be mainly supported by duties upon imports. Taxes upon incomes have been resorted to and might be again in periods of emergency, but so difficult was it, and would be again, to make such taxes equal, where incomes are so uncertain and are so easily concealed, that it may be regarded as a fixed fact that neither income taxes nor taxes upon the States will be again resorted to by the Federal Government. It therefore follows that upon import duties must the chief reliance of the Government for revenue be based.

WHY FREE TRADE IS IMPOSSIBLE.

Considerable revenue will, as heretofore, be derived, under an internal revenue system, from taxes upon domestic manufactures, especially whiskey and tobacco, but the main reliance of the Government must, as has always been the case, be upon a tariff, and as the public expenditures are large, and are more likely to be increased than diminished, the tariff can never be a low

one. Besides, the people willingly bear taxation upon what they use, while they would rebel against much higher taxes if directly assessed.

Free trade may be among the things hoped for, but it is one that never will be realized by the people of the United States. Every intelligent man in the United States knows this, and yet there are men in high places, and managers of influential public journals, who speak of those who favor a reform of the tariff as being free traders or tariff smashers. As, therefore, from absolute necessity, there must be a tariff, it is of the last importance that it should be so framed as not to be unnecessarily burdensome upon consumers, nor at war with useful branches of domestic industry, nor a bar to free exchanges with foreign countries. It has been clearly shown by the advocates of tariff reform that the present tariff is not of this character: that it is unnecessarily burdensome to the great body of the people; that it is at war with many branches of domestic industry; that it is a bar to international trade. It was created as a war measure, in a great national emergency, to strengthen the credit of the Government and to secure large revenue. These objects having been accomplished, it should long since have been subject to thorough revision to accommodate it to the changed condition of the country.

The question, therefore, which for years has demanded and now imperatively demands the attention of Congress, is not between a tariff and free trade, but whether the tariff should be mainly for protection or mainly for revenue; in other words, whether, in the imposition of duties, revenue should be the object and protection the incident, or whether protection should be the object and revenue the incident. As my opinion upon this great point has been fully and frequently expressed, I am not disposed to repeat it. I would only remark in passing, that as large revenues must be derived from duties upon imports, it will be very difficult so to modify the tariff that it will fail to be protective. I proceed, therefore, to examine what Mr. Blaine says about the effects of tariff legislation upon the public welfare. He takes broadly the position that not only has the country been prosperous under protective tariffs, but that the reverses to which

it has been subject in its onward and upward career have been, with a single exception, the legitimate consequences of an abandonment of the protective policy. To prove the correctness of this statement he refers to the periods in which these reverses occurred.

THE REVERSES OF 1817 AND A FEW FOLLOWING YEARS.

Of these reverses I have only to say that if I have read correctly the financial history of that period, these reverses were not the result of the changes of the tariff, but of the tide of speculation which swept over the country near the close of the war and at its termination, diminishing industry and plunging people into debt. These reverses, like those of later days, were inevitable, and they would have been of equal severity if the war tariff had been continued. The seeds of financial trouble had been sowed broadcast before the tariff was touched, and they bore legitimate fruits; they were, in fact, but a repetition of what occurred at the close of the Revolutionary war, when there was no tariff.

THE REVERSES OF 1837.

Of these reverses and all subsequent ones I can speak advisedly, because I held positions of financial responsibility and had personal interests at stake. I was in 1837, and had been for a considerable time, the manager of the branch at Fort Wayne and a member of the Board of Control of the State Bank of Indiana. Mr. Blaine's statement "that the years 1834-5-6 were distinguished for all manner of business hazard" but faintly describes them. They were years, especially 1836, of the wildest speculation. In the East it was varied in character, but its dangerous elements were excessive credits, and there were few things that could be bought or sold that were not affected by it.

In the West it was confined to lands unimproved and town lots, many of which never had any existences, except upon the recorded plats. It was speculation similar to that in the timber lands of Maine a few years before. Lands bought of the Government

at \$1.25 per acre were soon sold on credit at \$4, \$5, and in some cases \$10. Hundreds of tracts were laid off in town lots where the original forests were still standing. What took place under my own observation seems now to be too absurd to have been real. On the Maumee River, from its mouth on Lake Erie, there was for miles a succession of towns; some of them like Maumee City, Perrysburg, Manhattan, and Toledo were realities, but most of them existed upon paper only. In the spring of 1836 a young man whom I met at Maumee City said to me that he had made a great deal of money in a few months. To my inquiry how he had made it, he replied: "By buying and selling lots. Maumee City," said he, "lies, as you know, at the foot of the Rapids, and is destined to be one of the great cities of the West; property is rising rapidly in value, and I am buying and selling every day."

"How did you raise the money to commence with?"

"Oh, very little money is required in this business. I pay when I buy, and I require when I sell a lot a few dollars to bind the bargain, but nearly everything is done upon credit."

On my way from New York to Fort Wayne, in the same year, I stopped over night at a hotel in Toledo. After dinner I noticed that there was a gathering of gentlemen in the parlor, and in the course of the evening I was waited upon by one whom I knew and invited to join it. "Our rule," said he, "is to admit no one to these meetings who is not worth \$100,000. As you are a banker, you must be worth at least that." This was far from being the fact, but I accepted the invitation. The company consisted of gentlemen, some of whom I knew personally and others by reputation. They were politicians, scholars, writers, and one or two of them were authors of considerable renown, but not one was there whom I recognized as being engaged in regular business pursuits. It was a sort of private exchange, at which the members made themselves rich by buying and selling to each other lands and town lots. There was at times a good deal of excitement, much like that which is witnessed in the New York Stock Exchange. When the meeting closed everyone felt that he was richer than

when it opened. In a few brief months there was not one of these hundred-thousand-dollar-men who was worth a hundred thousand cents.

RESULTS OF THE SPECULATIVE MANIA.

The same speculative mania prevailed, to some extent, all over the country. It originated in unwise extension of the credit system, which was mainly the result of the removal of the Government deposits from the United States Bank and the placing of them in State banks. When the deposits were removed there was among conservative men great apprehension that the effect would be severe financial trouble. To prevent this, it seemed to be the understanding between the Secretary of the Treasury, acting under the direction of the President, and the banks—pet banks as they were called—that as they had been favored by the Government in the use of the public moneys, they should deal liberally with their customers. This they did, and, as their capitals were sufficient to supply the demands of healthy business, the loans of the Government deposits were made to men who were engaged in speculative enterprises. Then, too, many of the States were engaged in works of internal improvement, and were spending large amounts of money which they had obtained by sales of their bonds in Europe.

In addition to the large volumes of currency thus put into circulation, a bank under the name of the Pennsylvania Bank of the United States was chartered by Pennsylvania, as the successor of the United States Bank, with the same capital and mostly the same managers, which not only loaned its money in a manner which savored of recklessness, but bought large quantities of cotton on its own account. Never were credits so easily obtained nor so unwisely used; never, to the superficial observer, had the country been so prosperous.

In the meantime, however, industry was declining and all kinds of agricultural productions were commanding exorbitant prices. Wheat went up from \$1 to \$2 a bushel, and cotton from 7 to 15 cents a pound. A speculative fever everywhere prevailed similar in character,

and as much more disastrous in consequences as it was wider in extent, to the South Sea bubble in England. Conservative men, strangely enough, as well as adventurers, were its abettors and its victims. Banking institutions, and especially the Government depositories, were in a great measure responsible for it, and not a few were ruined.

I call to mind one case which interested me greatly. In the spring of 1836 I went to a city in a State adjoining Indiana, to make with its leading bank exchanges of New York and New England bank notes for its notes, which were receivable at the Government land offices. As I knew the president personally, I called upon him at the bank after banking hours. I was kindly received, but I noticed that he was in bad humor, which he did not try to conceal, the cause of which he explained. "I have," said he, "for the first time since I became president of the bank been squarely overruled in a matter of great importance. I do not like," he went on to say, "the business outlook. The people seem to me to have gone mad, and, if I am not greatly mistaken, they will soon find out that the prosperity of the country is unreal. We owe the Government a large amount of money, and as we have enough and something more in the banks of New York to pay it, at the meeting of the board this afternoon I introduced a resolution in favor of paying the debt and dissolving our connection with the Government. In offering the resolution I explained, as fully as I was able to do, my reasons for doing so. I was listened to attentively, but when the vote was taken there was but one vote (my own) in its favor. Not only was the resolution voted down, but I was instructed to use the money to our credit in New York in current business at home. To my directors the idea of giving up the use of a large amount of money on which we pay nothing, when it might be loaned at high rates of interest, seemed to be absurd. I hope they are right; time will show." Time, and short time at that, did show. In little more than one year this great bank, which up to the time of its connection with the Government had been conservatively and profitably managed, was ruinously, hopelessly

broken, and some of the directors who was its borrowers went down with it.

AFTER THE PANIC OF 1837.

Of the reverses of 1837 I made the following remarks in my report as Secretary of the Treasury in 1865 :

The great expansion of 1835 and 1836, ending with the terrible financial collapse of 1837, from the effects of which the country did not rally for years, was the consequence of excessive bank circulation and discounts, and an abuse of the credit system, stimulated in the first place by Government deposits with the State banks, and swelled by currency and credits, until, under the wild spirit of speculation which pervaded the country, labor and production decreased to such an extent that the country which should have been the great food-producing country of the world became an importer of breadstuffs.

The balance of trade had been for a long time favorable to Europe and against the United States, and also in favor of the commercial cities of the seaboard and against the interior, but a vicious system of credits prevented the prompt settlement of balances. The importers established large credits abroad, by means of which they were enabled to give favorable terms to the jobbers. The jobbers in turn were thus, and by liberal accommodations from the banks, able to give their own time to country merchants, who in turn sold to their customers on indefinite credit. It then seemed to be more reputable to borrow money than to earn it, and pleasanter and apparently more profitable to speculate than to work. And so the people ran headlong into debt, labor decreased, production fell off, and ruin followed.

This was, of course, a panic sharp and terrific, but it was of short duration. It was soon followed by a lethargy, under which all the springs of enterprise and hopefulness were dried up. To prevent the sacrifice of property under judicial decrees, stay laws and appraisement laws were enacted by many of the States, which only aggravated the trouble. For long, weary years the lethargy continued. There was no demand for anything, except the necessities of life, and all these, except clothing, were sold for scarcely enough, and, in some cases, not enough, to pay the expenses of taking them to market. I witnessed a sale in 1839 to the keeper of a hotel in Indianapolis of oats at 10 cents a bushel and fine chickens at 50 cents a dozen. The same year I saw thousands of barrels of flour under the sheds of Suy-

dam, Sage & Co., in New York, which they were offering at \$3.50 a barrel. Fat cattle were selling at so low a price—\$10 and \$12 a head—that my brother thought that he would pack a few barrels of beef at Fort Wayne for the New York market. He did so, and was drawn upon by his consignees for a part of the expenses of transportation not covered by the sales. From 1837 to 1841 there was nothing to break the stagnation but the political campaign of 1840, in which everybody became enlisted for want of something else to do. In the fall of 1841 a reaction began to appear. This became decided in 1842, before the tariff of that year went into operation, and in 1845 the country, chastened by adversity, was in the full tide of healthy and wealth-producing industry and enterprise. This continued until credits became again unwisely expanded and speculation became rife.

THE PANIC OF 1857.

In 1857 I was the president of The Bank of the State of Indiana, and this is a part of what I said about the financial troubles of that year in the report from which I have quoted :

The financial crisis of 1857 was the result of a similar cause to that of 1837, namely, the unhealthy extension of the various forms of credit. But, as in this case the evil had not been long at work and productive industry had not been seriously diminished, the reaction, though sharp and destructive, was not general, nor were the embarrassments resulting from it protracted. Now, in both instances, the expansion occurred while the business of the country was upon a specie basis, but it was only nominally so. A false system of credits had intervened, under which payments were deferred and specie as a measure of value and a regulator of trade was practically ignored. Everything moved smoothly and apparently prosperously as long as credits could be established and continued, but as soon as payments were demanded and specie was in requisition, distrust commenced and collapse ensued. In these instances the expansions preceded and contraction followed the suspension, but it will be recollected that while the waves were rising specie ceased to be a regulator by reason of a credit system which prevented the use of it.

Now, with all due respect to Mr. Blaine, I express the opinion that the apparent prosperity which preceded the

revulsion of 1837 and the real prosperity which preceded the crisis of 1857 were not caused by the tariff, and that the reverses which followed were not attributable to its reduction. If the tariff was in any measure instrumental in producing the changes, it was in stimulating the expansion which terminated in disaster. In 1857 I was a believer in the tariff, and it never entered my head to attribute the financial troubles of that year to the changes to which it had been subjected.

THE FINANCIAL TROUBLES OF 1873.

The most pressing duty which I had to perform when I became Secretary of the Treasury in 1865 was to provide the means to pay the soldiers and to meet other pressing demands upon the Treasury. This was done in the only way it could be done, by the sale of temporary obligations which had proved to be attractive to investors. After this had been accomplished the work of funding these obligations was commenced and carried successfully on until the whole amount—some thirteen hundred millions of dollars—were converted into bonds. While this work was going on I was under constant apprehension of a financial crisis before it could be completed. My apprehension was unfounded, but only as to time. The crisis was postponed, and for so long a period that the opinion generally prevailed that the vitality and productive power of the country were so great that the most expensive war that had ever been waged could be concluded and great expansion of credit could be checked and abridged without financial disturbances. I have to confess that this was my own opinion, but the same causes which produced the crisis of 1858 were at work, and, as had always been the case, the revulsion came when least expected.

When I left London in September, 1873, to come to the United States, the financial skies, if not cloudless, were not threatening. The letters which were received by the London firm from its New York partners were encouraging, and I had no reason to expect anything but a pleasant visit to my old home, and a return to London under auspicious circumstances. But on the

arrival of the steamship in the outer harbor I was met by the stunning intelligence that my American partners and the correspondents of the Fort Wayne banking house in which I was interested had failed ; that all the banks except the Chemical Bank, which had weathered all storms, had suspended, and that one of the widest panics which had ever occurred was raging throughout the country. The crisis was a terrible one. Although it came unexpectedly, it was only the consummation of influences which had been long at work beneath the financial horizon. In extent, in fierceness, and in disaster it resembled the revulsion of 1857. It was not, as Mr. Blaine states, brought about by the losses sustained in the civil war, which had been terminated eight years before, nor by the destructive fires in Chicago and Boston. Great losses may bring about what are called hard times—not panics. It was produced by an expansion of currency and of credits, which fostered speculation, and which rarely fail to terminate in financial trouble.

THE PRESENT CONDITION OF THE COUNTRY.

A high tariff has been in force since 1862, and according to Mr. Blaine the country, and the whole country, under its beneficent influence ought to be highly prosperous. The circulating medium is abundant. Interest is lower than ever before known. Good railroad and municipal four per cent. bonds command a premium ; those of the United States are in demand at 124, and yet what is the condition of that great interest which underlies all other interests—the agricultural interest ? What are good farming lands worth in Mr. Blaine's own State, in Vermont, in New Hampshire, in all the Eastern States ? How do prices of farming lands in the Middle States compare with the selling prices of such lands when the tariff was light in comparison with what it is at the present time ? If the condition of the farming interest in these States is the result of the increase of cultivated acres in the new States and the lessened rates of transportation, how happens it that in all these great grain-producing States the farmers who are as well off at the close of the year as they were at the beginning are the exceptions ?

If protection is the beneficent policy that it is represented to be by Mr. Blaine, how happens it that even manufacturers are not happy? How happens it that combinations are formed by them to curtail production and maintain high prices? *Are the consumers of manufactured goods benefited by legislation that prevents foreign competition and enables the favored few to regulate prices for their own advantage?* Is a country really prosperous when cities, which are the consumers of wealth, are rapidly growing and farming lands are decreasing in value; when rents in cities are enormously high and excellent farms are not attractive to tenants at rentals not equal to six per cent. interest on half their appraised value?

I asked the keeper of a little shop, about fifteen feet wide and thirty feet deep, on Pennsylvania avenue, in Washington, what rent he was paying. "Three hundred dollars a month," he replied; "\$3,600 a year." Now, I venture to say that there is not a farm in Maryland or Virginia, no matter what may be its size and the cost of its improvements, that rents for half that sum. Nothing is clearer than that the wealth-producing power of the country is not in a healthy and prosperous condition.

In all this I unfortunately differ, not only with Mr. Blaine, but with Mr. Depew, who is reported as saying in a recent interview that the condition of the country is "superb;" that so enormous were the last year's crops that the great east and west railroad lines have more wheat and corn and beef to be taken to the seaboard than they can carry. This may be true. Well-managed roads are doing well, so well that one of the greatest lines can spare its president from his post of official duty to enlighten the people by his eloquent speeches upon the beauties of protection and other subjects, and at the same time declare liberal dividends. *But how is it with the farmers, by whose productive labor the railroads are supported? Are they satisfied with the present and hopeful for the future?* If Mr. Depew will extend his tours to Minnesota and Iowa and Kansas and Nebraska he will discover that, although they are the most fertile States in the Union, the condition of their people is far

from being "superb." He will discover, also, in traveling over the country, if he keeps his eyes open, that it is the *middlemen, the men who handle the agricultural productions, and the railroads* that are making money, while the producers are unable to make "both ends meet," no matter how industrious and economical they may be. The keeper of a stall in Washington Market makes more money in buying, cutting up, and selling an ox than the farmer receives for raising it. This may be superb for the stall keeper, but not exactly superb for the farmer.

A MISTAKEN ARGUMENT.

A good part of Mr. Blaine's article is taken up in comparing the growth of the United States under a protective tariff with that of Great Britain under free trade. He says that in twenty years Great Britain added to her wealth \$15,000,000,000, while the United States added to hers nearly \$33,000,000,000; that the population of Great Britain increased within the same period—a period of her greatest prosperity—6,000,000, while the population of the United States increased 18,000,000. Such statements show that the progress of the United States in wealth and population under a protective tariff far exceeded that of Great Britain under free trade. Does this prove that free trade is not favorable to Great Britain and that protection is the cause of prosperity in the United States? Great Britain is an old and small country whose surplus population has been steadily flowing to her colonies and to the United States, and whose immense wealth is the result of gainful industry. The United States is a country of immense extent, whose wealth has not only been created by her manufactures, but also, and to a much greater extent, by the millions of millions of acres of wild lands which have been converted into productive farms and flourishing towns. The United States has not only grown in population by natural increase, but also by the throwing open of her ports and inviting the people of all countries to become citizens of the great republic. The real cause for wonder is, not that the United States has become so rich and

populous, but that Great Britain has gained so much in the same direction.

The argument in favor of protective duties, based upon such a comparison, is totally unfounded, and I am surprised that so able a man as Mr. Blaine should have presented it, nor would he if he had not become so wedded to the policy of protection that he sees no evidences of national prosperity that are not based upon it, and foresees no ill that will not be the result of its abandonment. That the United States has been largely enriched by her manufacturers is admitted, but has not her enrichment been largely at the expense of the great body of the people? She has rapidly increased in population, but this increase has been largely the result of the demands of her manufacturers *for cheap labor*. *How expensive this cheap labor may prove to be, in the character of the laborers, is a question which is yet to be solved.* The premonitions that come from our large cities on this head are very far from being comforting.

If Mr. Blaine had seen the West as I saw it in 1833, when more than three-quarters of such States as Michigan, Indiana, Illinois, and Missouri were untouched by the plow, and all beyond was a magnificent but well-nigh trackless wilderness, and should see it as it now is, he would not attribute the growth of the United States to protection, nor would he undertake to sustain his favorite theory by comparing that growth to the slower growth of the United Kingdom.

No one can tell what would have been the condition of the country if the tariff had been radically changed at the close of the civil war, but this we do know, that its present condition is not healthy. It is the greatest producing country in the world, and therefore needs the widest markets for its productions. With all needed markets open to it, it has no well defined and mutually profitable trade even with South America. Its manufactures as well as its agricultural productions exceed not only the home demand, but what is left to it of the foreign demand, and as its productions are increasing more rapidly than the demand for them, it is impossible for me to see where relief is to come from except from increase of our foreign trade, which can only be brought about by a reform of the tariff.

As I have said, we do not know what would have happened if the policy of the Government in regard to import duties had been changed twenty years ago, but it is clear to my mind that *if the nation of the greatest producing power does not hold the keys of the world's commerce*, if she does not make European nations her commercial tributaries, the fault must be her own. Precious time has been lost and immense sacrifices have been made to build up and sustain one great branch of national industry, but such are the resources of the country and the energy of the people that with wiser legislation, which cannot be long delayed, all dangers can be repaired and general prosperity secured. This legislation will be found in removing from the tariff everything that stands in the way of international trade and the adoption of the needful means for the restoration of our merchant marine.

With what Mr. Blaine says about the shipping interest of the United States I am in hearty accord. Mr. Blaine says:

The failure of the United States to encourage and establish commercial lines of American ships is in strange contrast with the zealous efforts made to extend lines of railway inside the country, even to the point of anticipating the real needs of many sections. If all the advances to railway companies, together with the outright gifts by towns, cities, counties, States, and nation be added together, the money value could not fall short of a thousand millions of dollars. No effort seems too great for our people when the interior of the country is to be connected with the seaboard; but when the suggestion is made to connect our seaboard with commercial cities of other countries by lines of steamships, the public mind is at once disturbed by the cry of "subsidy." We really feel as much afraid of protection at sea as Mr. Gladstone is of protection on land. The position of the American Congress and the English Parliament on this subject are precisely reversed. England has never been affrighted by the word subsidy, and, while we have stood still in impotent fear, she has taken possession of the seas by the judicious and even lavish interposition of pecuniary aid. I have already said that the interest on the amount which England has paid for this object since she began it with great energy fifty years ago would give all the stimulus needed for the rapid expansion of our commerce. Let it be added that if the Government of the United States will for twenty years to come give merely the interest upon the interest, at the rate of five per cent., on the amount which has been a free gift to railroads, every steamship line needed on the Atlantic, the Pacific,

and the Gulf will spring into existence within two years from the passage of the act. It is but a few years since Congress twice refused to give even \$125,000 per annum to secure an admirable line of steamers from New York to the four largest ports of Brazil; and the sum of \$125,000 is but the interest upon the interest at five per cent., of the gross amount freely given to the construction of railroads within the Union. Is it any wonder that we have lost all prestige on the sea?

THE SHIPPING INTEREST.

This failure has been the result of a want of comprehensive statesmanship in Congress. Fifty years ago the United States was second only to Great Britain as a maritime nation; now she is outstripped by nations that were then quite unknown as maritime powers. The deadliest blow to the shipping of the United States was in the substitution of iron for wood in the construction of ships. What was left of her foreign shipping was destroyed in the last civil war. Now, as no nation can be really great that is dependent upon other nations for ships to carry on its foreign trade, one would suppose that the restoration of our foreign shipping which had been thus destroyed would long since have received the earnest attention of Congress. But session after session has passed away, and nothing has been accomplished in this direction, while the difficulties to be overcome have been steadily increasing. It is true that subsidies were a few years ago granted to American lines which failed to accomplish the expected results, but this should only make it certain that what may be done hereafter shall be done with more circumspection. The United States can certainly do what other nations have successfully accomplished in a matter of great national importance.

The indifference with which Western Congressmen and Western journals regard our foreign shipping interest may not be surprising, as they are mainly interested in the development of their own section; but it is surprising that so little interest in it is felt by representatives from the seaboard States and by the journals which are published in our commercial cities. The *New York Evening Post* is a journal of large circulation and influence. No man knows better than its leading editor that the carrying trade between this country and Europe is in

the hands of foreigners who are enriched by it. No one knows better than he ought to know that capitalists in the United States will not put their money into ships to compete with long-established and subsidized steamship lines by which that trade is controlled without Government aid. No man knows better than he ought to know that the restoration of our foreign shipping is a matter of great national concern, and yet in reply to an inquiry that I made of him he replied that "the restoration of our merchant marine is a matter of importance to the country, but only on condition that it pays its own way; that the public might as well be taxed to revive the agricultural interest of Vermont as to restore our merchant marine." Here is an editor of a great newspaper in the great commercial city of the Union who thinks that the Government might as well be taxed to improve the agricultural interests of Vermont as to be taxed to revive our foreign merchant marine, the revival of which would add largely to the national wealth, and is essential to the well-being of the country, who thinks *that the restoration of our merchant marine is of importance to the country, but only on the condition that it pays its own way, its importance to the country being dependent upon its profitability to those who are directly interested in it.*

Not so have thought the great English statesmen, by whose influence enormous subsidies were granted, and are still continued, to steamship lines between England and the United States. Not so have thought the statesmen of other countries through whose influence steamship lines have been established. The editor of the *Post* seems to think that because the Norwegians, who man their own ships, and, consequently, run them at little expense, can find profitable employment as ocean tramps, capitalists in the United States will run a tilt with the European steamship lines that now monopolize the carrying trade between the two hemispheres. In the face of existing facts it is strange, indeed, that such an opinion should be entertained by an intelligent journalist.

There are very few enlightened men in the United States who have carefully considered the subject who do not consider the restoration of our foreign shipping

a matter of great public importance, and who do not believe (so powerful are the combinations against it) that it will not be restored without Government aid in some form. And there are, I hope, fewer still who regard its restoration as important only to those who may be directly interested in it.

No one, I am sure, with American blood in his veins, can stand by the docks in Liverpool, crowded with the ships of other nations, and without humiliation look in vain for the stripes and stars.

LETTER

TO THE

WASHINGTON POST, FEBRUARY 19, 1890.

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It has become quite in order for a part of the public press in the United States, in the exercise of what is regarded as its legitimate function, to bestow opprobrious epithets upon those with whom it differs in regard to public measures. Thus many of our leading journals denounce, as free traders and tariff smashers, all those who, in the interests of agriculture and of the great body of consumers, advocate a revision of the tariff. Others denounce, as subsidy seekers, all those who regard the restoration of our merchant marine as a matter of such national concern as to make it the duty of Congress to do what may be needful in aid of individual enterprise to effect it.

The men who think that the protective tariff stands in the way of international trade, which is indispensable to the welfare of agriculture, which imposes burdens upon the many for the benefit of the few, and ought, therefore, to be carefully revised, are denounced as tariff smashers. Those who believe that the United States can never stand in the front rank of nations as long as she is dependent upon other nations for commercial facilities ; who think that the people of the United States should at least share in the profits of ocean traffic and of wider markets, are stigmatized as subsidy seekers. It seems to be the opinion of the managers of these journals that no one can advocate any public measure, which for its success may depend upon Government aid, without being influenced by sordid motives, by unpatriotic designs upon the National Treasury. I am glad to say that my

observation, during a long and varied life, has lead me to different conclusions. I do not believe that patriotism is one of the lost virtues. Venality may abound and corruption may be on the increase, but I believe that a large majority of my intelligent countrymen and of their representatives in public life are patriotic to the core. If this were not my belief, I should "despair of the republic."

I have, in various ways, said all that I had to say upon the tariff. I desire now to say, through the *Post*, a few words about our shipping interests.

Everyone who knows anything of the history of the country knows that the United States, a little more than half a century ago, was second only to Great Britain in traffic upon the seas. The building of ships for European trade ceased when iron became the substitute for wood in their construction, and what was left of our foreign merchant marine at the commencement of the civil war was swept away by Confederate cruisers.

In my report, as Secretary of the Treasury, in 1866, I said :

It is a well-established, general fact that the people who build ships navigate them, and that the nation which ceases to build ships ceases, of consequence, to be a commercial and maritime nation. Unless, therefore, the causes which prevent the building of ships in the United States shall cease, the foreign carrying trade, even of our own products, must be yielded to other nations. To this humiliation and loss the people of the United States ought not to be subjected. If other branches of industry are to prosper, if agriculture is to be profitable and manufactures are to be extended, the commerce of the country must be restored, sustained, and increased. The United States will not be a first-class power among nations, nor will her other industrial interests continue long to prosper as they ought, if her commerce shall be permitted to languish.

This is what I was compelled to say in a recent letter to the *New York Times*, which shows in a few words the humiliations and loss to which the United States has been subjected :

No American who is proud of his country can suppress feelings of humiliation when he visits the London and Liverpool docks and looks in vain for the stripes and stars. Every inhabitant of the great republic who goes to Europe pays tribute to foreign ship owners. Every pound of freight that crosses the Atlantic adds its might to their gains.

Was I right in what I said in 1866? Am I right now in the opinion that, aside from all questions of personal interests, the greatest producing country in the world ought not to depend upon foreign ships to carry its surplus products to foreign markets; that it cannot be so dependent without being a tributary instead of a leader among the nations?

If this opinion is well founded, the restoration of our foreign marine service is a matter not of individual, but of national concern, and the practical question to be considered is, Will this restoration be effected without financial aid from the Government? Is not this question answered in the negative by the fact that nothing is being done by capitalists in this direction? Never before has capital been so abundant, never were paying investments so anxiously sought, never was money so cheap, and yet in the ocean traffic between the New World and the Old the United States has no share. Every year has witnessed the building of new ships for this traffic by European capitalists, while capitalists of the United States have looked on without any disposition to compete with them for its profits. Is it not quite certain that, unless the Government of the United States shall do what has been done by other nations, this traffic will forever remain in foreign hands? Is there a man with true American blood in his veins who is willing that this should be the case?

It may be contended that the building of ships in the United States has ceased, by reason of import duties upon the foreign materials which are required for this purpose. If these duties had been removed when iron became a substitute for wood in the construction of ships, our shipping interests might not have been in their present depressed condition. But the question is not now what might have been its condition in the absence of such duties, but would that condition be improved by their abrogation without aid from the Government? Would the editors of the journals who have large bank balances, and are in the habit of denouncing as subsidy seekers those who think that the foreign shipping interest is of sufficient importance to the country, and to the whole country, to justify Congress in taking steps for its

restoration—would these editors put their money into ships? I trow not. To me it seems as certain as anything in the future can be that ships will not be built in the United States for the European trade if the duties on foreign materials, which are needed in ship building, are removed, unless something is done by the Government to put United States ships on something like an equality with European ships. Capitalists in the United States will never enter into competition for the ocean traffic with foreign capitalists, unless the competition can be a fair one. The risk to be incurred in competing with subsidized lines would be too great to be encountered.

What foreign nations have done, what they are now doing to create and sustain business upon the seas, and to find markets for their productions, has been shown by Mr. H. K. Thurber, in the December number of *Belford's Magazine*; by Mr. Blaine, in the *North American*; by Henry W. Raymond, Secretary Tracy's confidential assistant, and still more fully by Secretary Windon, in his recent very able report. The enormous subsidies which have been granted by these nations to their steamship lines have been granted, not only for the profits of ocean traffic, but also for the purpose of finding markets for their surplus products. Great Britain, which has done more in subsidizing steamship lines than any other nation, has been many times overpaid for her outlays by the markets which have been thus obtained for her manufactured goods. How can new markets be obtained by the United States for her surplus productions as long as she is dependent upon foreign ships for transportation? There can be no reasonable doubt that if the American Congress had been governed by as wise counsels as have governed the British Parliament, the United States would, ere this, have been in the enjoyment of a full share of the ocean traffic and of the markets from which they are now practically excluded. So important do I regard, for the prosperity of the country, the restoration of our foreign shipping interests, that if I were a member of Congress, I would vote for any measure which, upon careful consideration, I might consider necessary to revive and sustain it; I should

not be deterred by the outcry against subsidies. So far from it, if I had been among those who had voted for millions upon millions of dollars for the construction of railroads, to bring the productions of the interior to the seaboard, I should be ashamed to face my constituents if I had failed to do what I could towards securing the transportation of the surplus to foreign lands in United States ships. Mr. Blaine, in the article to which I referred, after speaking of the enormous subsidies which have been granted to foreign steamship lines, expresses confidently the opinion that the interest upon the interest, at five per cent., of what has been given to railroads, would be sufficient to put the United States again in the front rank of maritime nations. If this opinion is correct, who can be doubtful in regard to what should be the action of Congress at the present session upon this great national question? It is a question that cannot be dwarfed by the outcry against subsidies; nor can the careful consideration of it be deferred, without serious and constantly increasing loss to the country.

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